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## COMMUNISM AND NATIONALISM IN CHINA

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The conclusion in Moscow on February 4 of a thirty-year treaty of friendship, alliance and mutual aid between the world's two greatest Communist powers — the Soviet Union and the People's Republic of China — is undoubtedly an event of first-rate international importance. If we were to take the treaty at its face value, Mao Tse-tung has unquestionably scored a signal diplomatic victory under exceptional difficult circumstances. Every aspect of the treaty and agreements seems highly advantageous to China. There is nothing within the terms of the treaty to suggest that China under Communist rule is an obedient tool of the Kremlin — a satellite.

The treaty's propaganda value is immense. There is no doubt that both the Soviet Union and Red China would exploit it to the fullest possible extent. By renouncing their special rights in regard to the Changchun Railway, Dairen and Port Arthur after the conclusion of the Japanese peace treaty and in any case not later than 1952, the Russians would leave the impression that the 1945 treaty was demanded because they were distrustful of the Kuomintang government, and that, in the absence of such demand, certain strategic bases in Manchuria would certainly have been granted to the United States by Chiang Kai-shek. On the part of the Chinese Communists, they can now tell the world as well as their own countrymen that Mao Tse-tung was more than right when he said that Communist China could only look for genuine friendly aid from the "anti-imperialist front headed by the U.S.S.R." At last they are able to prove that Soviet internationalism is not the same thing as Czarist imperialism.

The world, however, is inclined to be incredulous because, as far as China is concerned it is too good to be true. It simply cannot imagine the Soviet Union in the role of generous donor without at the same time asking for something adequate in return. The public announcement has thus been

taken as a camouflage, a clever propaganda technique deliberately intended to mislead. It cannot therefore be regarded as the whole story, or even its most important parts.

It is as yet too early to know whether or not secret agreements do in fact exist or to assess the full implications of the treaty itself. It seems, however, that the treaty together with the agreements are not in themselves important. The Soviet Union has concluded such treaties of friendship, alliance and mutual aid with all satellite countries in Eastern Europe. In appearance at least, these treaties are not essentially different from similar treaties which might have been entered into by equal and independent states. But no one would for a moment suppose that Poland, to take an example, is the equal of the Soviet Union because of the existence of a Soviet-Polish treaty of friendship. What actually determines Soviet-Polish relations are not the provisions of a formal document. It is rather the spirit behind the document—the state of mind of the Soviet Union on the one hand and that of the Polish leaders on the other — that determines the relationship. If the Kremlin looks upon Poland as a satellite and Poland accepts the Kremlin's point of view and regards herself as such, then Poland's status as a satellite may be said to be settled. It may, however, happen that there is a Communist state whose ideas of its relationship with Moscow do not correspond to those held by the Kremlin, then we have a case of Titoism. Moscow took Yugoslavia for a satellite, as every good Communist state should be. But Marshal Tito thought otherwise. He was willing to align himself with the Soviet Union. The alignment was sealed by a treaty in 1945 when he visited Moscow. Yet in spite of all this and in spite of his Moscow training, he considered Yugoslavia as aligned with but not subordinate to the Soviet Union. Hence the Cominform rupture and exchange of abuse between Moscow and Belgrade.

Now, as regards the relationship between Soviet Russia and Communist China, a similar criterion should be applied. The treaty cannot be the controlling factor, nor can secret agreements, if any. The proper question should be: Does Stalin look upon China as a satellite? If so, does Mao Tse-tung agree with him on this point?

In the following I attempt, on the basis of the trend of events now taking place in China, to give some sort of

answer to these questions. The answer is of course not to be taken as conclusive; no answer can be conclusive at this stage of development. What is attempted is no more than to indicate how the wind is blowing.

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When Mao Tse-tung set out for Moscow last December he was not unlike a pilgrim journeying, for the first time in his life, to the Holy Land of world Communism. Alone among the important Communist leaders of world, he had never been to Moscow before. The seventieth birthday of the living prophet of the Communist faith — Joseph Stalin — had provided an occasion. The visit was not to be made in vain.

When the treaty of friendship was announced, it seemed incredible that two months could have been spent solely on the task of altering the text of a discarded treaty. That is the reason for all the speculations. No doubt many important questions were discussed. But the most important question was still the relation between China and the Soviet Union. Mao was a stranger to Moscow. It will be remembered that in the early days of his revolution in China he was not at all on friendly terms with Moscow. He had quarrelled with the Comintern and, with the exception of Tito, he was the only one who had the temerity to rebuke Moscow's agents in public. The Comintern ordered his removal, but he refused to budge. And he has remained in power to this day. Without party directives he launched his agrarian program, organized the Red Army, and set up his first Soviet. Is he still the stubborn rebel of the earlier days, or has he changed? Moscow has to find that out.

Of course Moscow is willing to concede that Mao is a man of great abilities. As late as 1945 the leaders of the Soviet Union did not think the Chinese Communist Party was able to conquer the Kuomintang within a short period of time. The obstacles were too great to overcome. The historical backwardness of the country was thought to make an early Communist triumph improbable. Yet Mao Tse-tung and his followers have done it. They did it without much help from the Soviet Union — the Country of World Revolution, the Fatherland of World Communism. Now the problem arises in an acute form: to what extent is Peking going to take orders from Moscow? Much will depend on Mao Tse-tung's attitude. Does he see himself in the role of Moscow's agent or is he a potential Tito? The Kremlin has to be sure about that.

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If the Chinese Communists had conquered state power a few years earlier, say in the 1945-1946 period, Moscow might have given Mao Tse-tung a freer hand to run his own country. It was then thought that each country must discover its own path to Socialism, and each Communist Party could adapt its policy to regional needs. Communism was then even able to champion contradictory nationalist causes, provided they did not interfere with the overall interests of Soviet foreign policy.

But time has changed. By the end of 1947 the international situation had so much turned for the worse that nine Communist Parties met in Poland under the guidance of the Soviet Union to work for closer integration of policies which had begun to be overshadowed by nationalist sentiment. The Cominform was established. It was at first thought that the Cominform was principally consultative in character and each party could still maintain a certain degree of independence. As time went on, the Cominform tended more and more to become a militant union of Communist Parties under the leadership and control of the Soviet Union. Every Communist Party and every Communist-led country must keep in step and not challenge Soviet leadership. The Soviet Union was the first country with a socialist regime; its experience was held to have universal validity. This was held to be applicable both in the management of internal affairs and in the conduct of foreign relations. A Communist party or state that refused to fall into line was a traitor to the cause, a common enemy to all other Communist Parties.

China's status as a nation is of course different from the Eastern European states: It is the only Communist country that has a population larger than Russia's own. It is one of the world's major powers. Due consideration has to be given to these factors. But that does not make Communist China any different from any other Communist state as far as the Soviet Union is concerned. Like all other Communist states, China must accept Soviet leadership, for the simple reason that there is no such a thing as a "national" Communist Party or state. To argue as Tito has argued that cooperation must be based on equality and reciprocity and that each Party or state has its own right of self-determination, is to resort to "an opportunistic, bourgeois ideology, of revolutionary proletarian internationalism." Nationalism, in the eyes of the Soviet Union, is nowadays being used by reactionaries as a secret or potential weapon against Socialism; and as such it must be guarded against and talked down.

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Not all satellite states are homogeneous in structure or uniform in spirit. The degree of political control which the Soviet Union exercises over these countries also varies in accordance with the special conditions of each country. Poland, for example, is geographically

nearest to Russia. But the Russians are also least sure of Poland. For this reason Poland is the most tightly controlled. And now a Russian general is head of the Polish army and the Minister of National Defense of the Polish government. Hungary, on the other hand, is the best off. On account of China's special internal conditions, the Kremlin might be persuaded to give the Chinese Communists more freedom in the conduct of their internal affairs. A longer period of time might be allowed to the Chinese Communists to collaborate with the bourgeois parties to liquidate "feudalism" and the remnants of capitalism, and to abolish private ownership and the collectivization of the land. But there should not, and could not, be any compromise in regard to foreign policy. There must be an international united front against American imperialism.

The new Communist state of China starts off with a devastated country in its hands, — ruined cities, wrecked railways and highways, broken villages, people hungry and weary and destitute. In the current year, thousands will die of hunger and starvation in the wake of a wide-spread famine brought about by drought and flood and war. The task of rehabilitation is tremendous. The new government, in addition to rehabilitation, has a program of reconstruction. A plan for rapid industrialization must be started, agricultural output must be increased and methods modernized, and thousands of technicians must be trained. For all this there is an urgent need of capital and credits, tools and machinery, all in vast quantities. And for all this the Soviet Union will be sympathetic and render such assistance as it is capable of: It has already committed to grant a low interest loan of U.S. \$300,000,000. Russia will be glad to take whatever agricultural products China may be able to sell. The prices may be a little below those offered by capitalist countries. But one should remember this is a matter of "fraternal" collaboration and it would be too niggardly to haggle over so trivial a thing as prices. Perhaps China would like to become a member of the Council of Mutual Economic Assistance which has at its disposal Russia's gold. As a member of this Soviet-controlled organization, China may be able to get help from other satellites, notably Czechoslovakia, the most heavily industrialized country of the Eastern European states. Within limits, it is permissible to enter into trade relations with capitalist nations. But it must be understood that such commercial relations must not in any way jeopardize the solidarity of the united Socialist front. The most important thing, however, is that China must see to it that her industries be geared to Soviet strategic requirements.

In short, Stalin cannot afford to let so important a country as China slip through his fingers. China may be allowed a higher and more dignified status among the satellites, but still a satellite.

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Now, will Communist China submit to the domination of the Soviet Union?

In a brilliant article in Saturday Evening Post (April 9, 1949) Mr. Edgar Snow once ventured the opinion that "after a dozen years of first-hand study of China, I concluded that Soviet Russia would not hold effective domination over the extremely nation-conscious Chinese Communists." Mr. Snow's conviction has been shared by not a few observers of the China scene. The Chinese Communists, it is said, have developed their strength out of the resources and forces at work in China. They have come to power the hard way, and are proudly conscious of the fact that they have done so with little assistance from the Russians. It may be easy to push around political and military leaders in some petty European states. But it is quite another thing to do the same in a country with a population of more than 400,000,000 people and an armed force of several million men. Unlike the Eastern European Communist leaders, the veterans of the Chinese Party are made in China and they are not going to be bossed over by foreigners. The Party itself, in the words of one well-known writer, is "rooted in its own soil, Sinified and nationalistic. It has fought so long against an alien enemy that it has become as thoroughly and as ardently patriotic as the Kuomintang." (Theodore H. White and Annalee Jacoby in *Thunder Out of China*.)

Many observers have been struck by Mao's independence of mind — a rare thing among Communists. He is perfectly sure of himself, always ready to enter into discussions on any problem and always willing to see the other man's point of view. He makes decisions on important issues often without strict adherence to ideological dogmas: He seems to possess the very qualities of which Titoism is made. His early squabbles with the Comintern have been pointed out by admirers as indicating that he is more a principal than a subordinate. But it should be remembered that his quarrels with the Comintern had happened during the 1927-1933 period when the Chinese Communists were completely isolated and cut off from Russian contacts. The Soviet Union was at the time too much preoccupied with building "Socialism in one country" and had little energy or desire to interfere with Chinese affairs. It was easy for Mao Tse-tung to have his own way under the circumstances. Since then both the Kremlin and Mao himself have been willing to take the rough with the smooth and let bygones be bygones. The Sino-Soviet treaty of 1945 had placed, as Mr. Snow so aptly said, "the Communists under even heavier pressure than Marshal Tito had to resist when Moscow demanded that he accept Mihailovitch as valid 'nationalist' leader of Yugoslavia." Yet Mao accepted the fait accompli with good grace. He even hurried to Chungking, ready to come to terms with Chiang Kai-shek. When Moscow broke with Tito, the Chinese Communists upheld Moscow's denuncia-



tions. Nor could this be taken as half-hearted and lukewarm gesture. In a resolution passed by the Central Committee of the Party on July 10, 1948, all members were warned against Titoist tendencies. Mao's statement of his "lean-to-one-side" policy was in fact a declaration of his allegiance to Moscow.

Mao Tse-tung's new democracy program has also been described by his admirers as a distinct contribution to revolutionary theory and practice, creating, as it were, "a Chinese or Asiatic form of Marxism." He is said to be the first who succeeded in doing so and the only one outside Russia who dared. Said Mr. Snow:

"In fact Mao Tse-tung and his followers were the first to prove that Communist-led revolutions in semicolonial countries can conquer power by combining the role of national liberation with anti-feudal social-reform movements. In a setting quite unforeseen by the Kremlin hierarchy they proved that such revolutions can succeed without depending upon urban proletarian insurrections, without the help from Russia or the world proletariat, and on the basis of the organized peasantry as a main force."

Again:

"Today these Communists observe a somewhat unorthodox program based upon Mao Tse-tung's original thesis that in a backward country such as China it is possible for two distinct phases of history—'new capitalism' and 'new democracy'—to coexist in an extended transition."

Upon close analysis, however, we find that neither Mao's reliance on the organized peasantry as a main force nor the co-existence of two phases of history "in an extended transition" was "unforeseen by the Kremlin hierarchy." In spite of its special cogency to Chinese conditions, Mao's thesis was in fact based on dogmas. By describing Chinese society "feudal" he was borrowing a Marxist concept without fully distinguishing "feudalism" in China from the very different kind of feudalism which Marx had in mind. Both Lenin and Stalin saw the revolutionary possibilities of the peasantry. Stalin once said: "As regards the exploited majority of the peasants, there exists revolutionary possibilities which can be turned into account in support of the dictatorship of the proletariat. The history of three Russian revolutions confirms this deduction." "From these considerations," he added, "we draw the practical conclusion that the laboring masses of the peasantry must be unhesitatingly supported in their fight against servitude and exploitation, against oppression and impoverishment." (Stalin in the Foundations of Leninism)

Mao Tse-tung did not seem to be well acquainted with Stalin's writings prior to 1937. It was during the war, according to Chen Po-ta—one of his closest associates who accompanied him to Moscow—that Mao found time to read Stalin's published works. He was especially impressed by the Russian leader's dictum: "The colonial and semi-colonial question is in essence the peasant question."

The problem of transition is also in line with the program adopted by the Comintern at its Sixth World Congress on September 1, 1928. Mao himself

did not claim originality. To say that he has created "a Chinese or Asiatic form of Marxism" and that he is the only one outside Russia who dared is to shoot beside the mark.

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Like all revolutionary movements in China, the Chinese Communist Party was, of course, a child of nationalism. Nationalism was unknown in ancient China, because from the very beginning, China was an empire and not a national state. Theoretically the Chinese Empire embraced all civilized mankind. It grew and expanded very much like a giant polyp, enveloping, subjugating and partially absorbing all alien tribes that happened to come along. The Chinese were keenly conscious of their cultural superiority. They were willing to accept as Chinese any barbarian who would accept their ways of life, their language and their manners. The traditional pattern of Chinese political thought was based on principles of universality. Suddenly this proud and ancient empire was thrust against a powerful civilization with a culture which was not only different, but in many ways superior. China came out of this contact a humiliated and a beaten nation.

Against this background it is natural that nationalism in China should primarily mean a determination to shake off foreign domination. It found its first expression in a reform movement in the latter half of the nineteenth century. It failed. But it gave the first great impetus to revolutionary change. Dr. Sun Yat-sen and his fellow revolutionists were able to overthrow the Manchu government in 1911. The success was, however, short-lived. With the center of gravity gone and with nothing strong and vigorous enough to take its place the country was soon plunged into an infernal state of disorder. Foreign domination remained intact. The abolition of the "unequal treaties," so dear to the hearts of the Chinese nationalists, was as far off as ever. In this period of despair the October Revolution in Russia came as a revelation. It produced an immediate impression on the Chinese mind. The unique appeal of the Bolshevik revolution was its universality. It did not merely propose to introduce fundamental changes in Russia. It envisaged the world-wide abolition of poverty, misery, and inequality. The Chinese revolutionists saw in a flash that their revolution was in fact a part of a general revolutionary movement. At the same time, the Russians deliberately exploited the situation by renouncing the Czarist special privileges in Manchuria. It was inevitable that many patriotic Chinese should be attracted to Communism. Accordingly, the Chinese Communist Party was born in 1921.

The men who joined the Communist Party were not fully aware of the implications of Communism. They were idealists deeply interested in the liberation of mankind in general and the liberation of their own country in particular. It was for this reason that Dr. Sun Yat-sen, while not subscribing to

Communism, enlisted the service of the Communists in his nationalist cause during the last two years of his life.

It would be out of place here to narrate the vicissitudes of the Communist movement. Suffice it to say that the fortunes of the Communists reached their lowest ebb just before and after the "long march" in 1934. If they were to survive they must rally the Chinese people to their support. There was only one sure way to do that—to stir up the spirit of nationalism by championing the cause of resistance to Japanese aggression. While Chiang Kai-shek was still obliged to temporize with Japan, Mao Tse-tung launched the "United Front Movement" and changed his tactics from class war against capitalists and landlords to an all-out war against the common enemy—Japan. The movement was a masterpiece of timing. The outburst of national feeling that responded to it was so overwhelming that even Chiang's own troops were swept along.

The war with Japan gave the Communists a new lease of life and sent them merrily on to the road of victory. Their eventual triumph over the Kuomintang was thus not brought about by military successes alone. It has, to a large extent, been due to their acumen in discerning the temper of the age and their ability to make the best use of it.

Communist success is in fact a success of nationalism. It is for this reason that the Chinese movement is said to have a "nationalist bias." Having thus come to power, are they now to consolidate that power on a basis contrary to the best interests of China? Can they succeed and endure by becoming a Soviet satellite?

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To the Communists, however, the idea of championing the nationalist cause while representing a foreign influence infiltrating Chinese society and subverting national culture and independence presents no problems of conscience or contradiction. Liu Shao-chi, the chief Party theoretician, a member of the Politburo, Secretary-general of the Party, Vice-Chairman of the People's Republic of China, probably the most powerful man in the whole Party set-up, expounded the Party view in a small volume on Nationalism and Internationalism for the enlightenment of his fellow Communists and countrymen. The importance of this little pamphlet is shown by the fact that it is being currently used as the No. 1 textbook for indoctrination, taking precedence even over Mao Tse-tung's New Democracy.

Nationalism, according to Liu, is a bourgeois ideological expression. It is one of the most striking features of capitalist society. It is inspired by nothing more laudable than the preservation of class privileges at home and the determination to hang on to ill-gotten spoils of conquest in Asia and Africa. From the viewpoint of the Communists, nationalism only serves to keep people in subjection and to make them fight for interests that are not their own. The Communists are not nationalists. They are internationalists



working for the liberation of the oppressed peoples and oppressed classes irrespective of national boundaries.

Nationalist movements in colonial and semi-colonial countries, however, are to be encouraged and supported because of their revolutionary possibilities. Such movements are important in the overthrow of imperialism. The problem of nationalism does not stand alone; it is a part of the general problem of proletarian revolution and is subordinate thereto.

Prior to their victory over the Kuomintang, the Communists had supported Chinese nationalist movements on various occasions. At present, however, nationalism is considered unnecessary because the "new democracy" of Mao Tse-tung is anti-imperialistic. It has now taken the place of nationalism.

There is of course nothing new in Liu's exposition. Communism as expounded by Marx was indeed internationalistic. What Liu has overlooked is the fact that Communism as practiced by Stalin has undergone a fundamental change.

After 1928 Stalin has subordinated the course of international Communism to the national interests of Russia. Stalin continued to tell Communists in other countries that they should think and act in terms of internationalism with every shift of the international scene. But the Soviet Union is not all internationally-minded; on the contrary, it is ultra-chauvinistic. Internationalism, then, means nothing more or less than whatever contributes to Soviet nationalism. Now Liu Shao-chi wants his countrymen to forget nationalism, which is a roundabout way of saying that he wants China to contribute her share to Soviet nationalism.

To dispel any possible doubt about Soviet internationalism, all resources of Communist propaganda are now being used to din into the popular consciousness that the Soviet Union is the only good friend of China, and only the Soviet Union can help China rehabilitate and reconstruct. Every allusion to the Soviet Union is one of sweetened adulation. The anniversary of the October Revolution and Stalin's seventieth birthday were celebrated last year with much ado and festivity, marked by parades, dances, and speeches. "Stalin's birthday," blurted one Communist bigwig, "is a 'Day of mankind' for the world. We Chinese people have special reasons for hailing Stalin. They are: Stalin's close relationship with the Chinese revolution, his concern over the fate of the Chinese people, his theoretical contribution to the questions of the revolution." "The great friendship of the Soviet Union for the Chinese People," shouted another, "has been demonstrated by the fact that she was the first nation to renounce the unequal treaties extorted from China by the Czars."

As a part of the program to convert China into a nation of Russomaniacs, a Sino-Soviet Friendship Club, with headquarters in Peking and with branches all over China, was established under the leadership of Liu Shao-chi. It now claims a total membership of 2,000,000. Books on the Soviet

Union are printed by the millions for sale to the general public at very low prices. The Soviet Culture Delegation which visited China last October promised to send 6,000,000 more books to help in the friendship drive. The visit of the Delegation was described by Liu as a "a tour of brotherly love". "The Soviet people," he declared, "love the Chinese people with profound sincerity which springs from the spirit of internationalism. They help us unconditionally and nothing is asked in return."

Liu Shao-chi was probably in all sincerity when he made the declaration. As a dyed-in-the wool internationalist, he was simply repeating an article of faith. Do other Chinese Communists agree with him? Do the masses of men and women in China agree with him?

The veterans of the Party, men who have participated in the movement for over twenty years, are probably convinced of the necessity of aligning with the Soviet Union. Most of them are true patriots who have given the best part of their lives to the cause of national liberation and revolution. As loyal Communists (those who were not loyal had long ago left the Party; some have subsequently joined the Kuomintang), they believe that the basic contradictions between Socialism and Capitalism are insoluble. Sooner or later the Socialist states will have to face the possibility of capitalist intervention. For their own safety it is absolutely necessary for the Communist Parties and states to stand together and ward off intervention. This way, as in the case of China, involve serious sacrifices, but this is the price that one has to pay for security. The trouble with the present world situation is that there are only two camps — the imperialist camp headed by the U. S. A. and the anti-imperialist camp headed by the U.S.S.R. There is no half-way house between the two. Anybody who, like Tito, breaks away from one camp will inevitably be drawn to the opposite camp. That is the logic of the thing. The veterans, by and large, may even have misgivings about Russia's intentions, but they see no choice in the matter.

Mao Tse-tung is commonly regarded in China as the leader of this group — known as the "native school of Communists" as contrasted with the internationalists. It is generally believed that Mao's grip on the Party apparatus is more apparent than real. In recent years the actual control has passed into the hands of the Soviet-trained and Russian-speaking elements whose allegiance is primarily to the Soviet Union and world revolution. They form the hard core of the Party. They constitute the cadres, the body and soul of Chinese Communism. Their number is still small, but they wield an influence far beyond their numerical strength. They have the backing of the Kremlin. Their present leader is Liu Shao-chi, who now occupies the all-important post of Secretary-General of the Party. Mao Tse-tung may be the acknowledged leader, but Liu Shao-chi has the whiphand. In practical politics it is actual power that counts.

But this should not lead us to the erroneous conclusion that the Party is divided. The distinction between "native school" and the internationalists has undoubtedly been exaggerated. The Chinese Party has shown a remarkable degree of unity since Mao Tse-tung's rise to leadership. Unlike most Communist Parties in the world, the Chinese Party has been free from violent internal feuds leading to treason trials and heresy hunts. There does seem to be a real concord of purpose among the top leaders as well as unity of action among the rank and file. It is improbable that Mao Tse-tung and Liu Shao-chi have always been agreed in regard to major policies, but there is no real evidence to suggest that the differences, if they do exist, have been serious enough to threaten unity. This unity makes one all the more convinced that the Chinese Communist Party is definitely and irrevocably committed to a policy of internationalism.

The rank and file belong to a younger set of men and women. They are mostly idealistically-minded if somewhat immature and politically gullible. General Marshall once expressed the belief that there is a "liberal" group among the Communists. "It has appeared to me," he said, "there is a definite liberal group among the Chinese Communists, especially of young men who have turned to the Communists in disgust at the corruption evident in the local governments — these men would put the interest of the Chinese people above ruthless measures to establish a Communist ideology in the immediate future." If such a group ever existed, they are not in evidence now. The younger members of the Party are on the whole devoted to the Communist cause, though at times they may seem to be a little bewildered. For instance, they were none too pleased when Mao Tse-tung took into the Peking Government a number of men — the so-called "democratic personages"—who, to their mind, were downright reactionaries. Their distaste was expressed in the saying that "to be an old revolutionist is not as good as to be a new revolutionist; to be a new revolutionist is not as good as non-revolutionists." What they mean is that the non-revolutionists are now being placed in high positions while they, the old revolutionists and new revolutionists, are still doing the dirty work. Mao Tse-tung once publicly rebuked them for their lack of understanding of the Party's policy. He said that at the present stage of the revolution a united front is of utmost importance to the country.

This bewilderment seems to exist also in regard to foreign policy. The Chinese have a deep-rooted dislike for Russians. The Communist rank and file in Manchuria are no exception. This was shown in the Hsiao Chun case which had raised quite a flurry last year. Hsiao Chun was a well-known Communist writer and journalist. After V.J. Day he was sent to Manchuria as a cultural worker. He was shocked by what he saw there—Russian arrogance, the raping of Chinese women, the looting of industrial establishments,



and the general disregard for Chinese interests by Soviet soldiers and bureaucrats. The Chinese in him got the better of his Communism; he expressed his indignation and disgust in a series of articles highly critical of the Russians. In one of these he was especially violent, hitting the nail right on the head by calling the Russians imperialists of another hue. Naturally the article attracted wide attention. Coming from the pen of an outstanding Communist writer, it was of course something of a sensation. The authorities promptly cracked down on him, accusing him of every sin in the Communist decalogue. His ideas were condemned for being "bourgeois," "individualistic," "reactionary," and "nationalistic." He was said to have exercised a dangerous and deleterious influence on the mind of the immature and ignorant. He was purged.

But we must not exaggerate the importance of this incident. It is true that the Russians have behaved badly and the Chinese—even Communists—do not like them. The majority of the young men and young women in the Party are no rampaging subversive or ideological monsters. They love their country just as others. But they are too good Party members to allow their personal feelings to interfere with Party policy. They have to take the Russians as they are. There may be some discreet grumbling, some private resentment, but they would go no further than that. They have an almost religious faith in the wisdom of their leaders. If their leaders say that the Russians are to be endured—well, they must be endured. It is improbable that they would under any circumstances turn the tables on the men who have led them so successfully to power.

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All students of China are agreed that the test-ground of Sino-Soviet relations is in Manchuria. Here vital interests of both countries come into direct and sharp conflict. Manchuria with its abundant natural resources and sparse population has possibilities of great development. It is more industrialized and has a greater mileage of railways than any group of Chinese provinces. Without Manchuria the chances for China to become a modern nation are greatly diminished. Manchuria had been the cause of two great wars. Japan fought Czarist Russia for its possession. China fought Japan for its recovery. Now, would the conflict of interests between China and the Soviet Union be oversome by the adherence to a common ideology and the mutual profession of internationalism?

Manchuria (subdivided into six provinces) is now administered by a Northeastern People's Government run by men who, from the point of view of the Kremlin, are particularly trustworthy. To all intents and purposes Manchuria is a special area. More than any other part of China it is run on the lines of Soviet Communism. Russian language is compulsory in the schools. Private ownership of land is rapidly disappearing in rural districts.

In urban centers private ownership and free enterprise are still tolerated, though they are now being gradually squeezed out by large state monopolies and crippling taxes and levies. With Russian technical assistance, the Chinese Communists have mapped out a three-year plan which is to start this year for the restoration of industrial and agricultural production to the 1944 level.

The Northeastern People's Government functions more or less independently of the Peking Government. It is more in the nature of an "autonomous republic" with the prerogative of entering into treaty agreements with the U.S.S.R. It was responsible for the negotiation and conclusion of the trade agreement of July 1949 stipulating the exchange of Chinese agricultural products (reportedly 60 percent of the farmer's produce) for Russian industrial equipment and machinery which the Russians had stripped from Manchurian factories after V-J Day.

In addition to this trade agreement it has been reported that two other agreements were signed by the Chinese Communists with the Soviet Union, known as the Moscow agreement and the Harbin agreement, giving Russia further special rights. Both Moscow and Peking, however, have denied the existence of these agreements and characterized the report as "shameless fabrications."

Under the agreements with China signed in 1945, the Soviet Union secured railway, naval base, and commercial rights which restored most of the old rights of Czarist Russia for a period of thirty years. The existence of these agreements had caused considerable embarrassment to the Chinese Communists in their friendship drive. For example, when the question in regard to these agreements was raised in a Shanghai indoctrination camp last year, Fan Chang-kiang, the chief propagandist, was driven to invent the highly ingenious answer that "since the interest of Communist China and the Soviet Union in world revolution is identical, Soviet control of the railway and the two ports is equivalent to China's controlling them." Now Communists can swell their chests and look noble with the conclusion of the new treaty. The Soviet Union on its part can also strike a haughty pose of superior rectitude telling the world what wonderful internationalists they really are!

What exactly the Kremlin has exacted from Mao Tse-tung as the price for being allowed to give undying allegiance to the glorious Soviet Union may not be known for a long time. Even if there were nothing else except the announced treaty agreements, we still have little reason to rejoice. The fact that the treaty rights secured under the 1945 agreements would not be restored to China until after a two-year period is in itself a good gauge of Russian intentions. After all a two-year period is a two-year period, and a lot of water can flow over the dam within the next twenty four months. By that time the Russians would be so

firmly entrenched in Manchuria that it would be impossible to call it Chinese again.

Due to travel restrictions, it has been difficult even for a Chinese to go to Manchuria as he can with relative freedom to any other part of China. Information regarding the extent of Russian influence there is necessarily meager. But we can be assured that the Russians are using every opportunity (treaty rights or no treaty rights) to make Russian interests override Chinese interests in a way that Manchuria would be a Russian protectorate in fact. US Secretary of State Acheson in his address before the National Press Club called attention to the Soviet Union's systematic campaign to detach Manchuria, Inner Mongolia and Sinkiang from China. In support of Mr. Acheson's charge, the State Department issued on January 25, a factual account in which the following observation was made:

"How long this process of penetration and detachment will take will depend on the Soviet timetable—and of course on any resistance which may arise in Chinese quarters. The strategic points such as communications and industry appear well under U.S.S.R. control. Soviet strategic detachment from Chinese control is in progress in China's northern provinces as it is in certain European areas and, as in those areas, may be expected to proceed by carefully planned stages."

There is a tendency to assume that after the Yugoslavian experience the Kremlin will have to be careful about China. The Chinese Communists will have to be handled gingerly so as to avoid the possibility of Titoism in China. The fact is that it really does not make much difference whether the Kremlin handles Mao Tse-tung with a silk thread or a hemped cord; the strands are equally binding.

Another ominous sign is the arrival in China of Soviet advisers. Liu Shao-chi said that there were two hundred such advisers in October 1949. The number must have increased to thousands by this time. In Canton, for instance, there were about twenty-five of them in November and this number has since increased to fifty. Undoubtedly most of the advisers are in Manchuria.

These advisers are said to be technical in nature. Liu Shao-chi had something interesting to say about them. Speaking before the Sino-Soviet Friendship Club in October, 1949, he said:

"When I asked the advisers: What do you expect to get out of China? They told me that they did not expect to get anything out of China. Stalin told them they were sent to China on China's request and they should do their best to help the Chinese. When the Chinese have mastered the technical knowledge necessary to run the factories and mines, they will go back to Russia." (The Masses, a Communist weekly published in Hong-kong, Oct. 20, 1949).

"Now," Mr. Liu continued, "that is the difference between Soviet advisers and American advisers. The Americans want high pay; the Soviet advisers want to serve. That is something which the capitalists cannot understand. That is a concrete example of Soviet internationalism."



But it would evidently be untrue to say that these advisers are purely technical and nothing more. What does happen is that they function probably in the nature of watch-dogs charged with the responsibility of looking after the interests of the Soviet Union in China and seeing to it that the mines and factories are properly co-ordinated with Soviet strategic demands.

To the casual observer, the Russian advisers are not much in evidence. They are not often seen in public places. This is probably due to the desire to reduce embarrassment to a minimum and to avoid possible resentment.

With Mao Tse-tung's return, the "fraternal" collaboration between the two countries will undoubtedly be closer than ever. In time it is possible that political advisers of the type of Michael Borodin, who dominated Chinese politics for a number of years in the early twenties, would be sent to China. They would run the country from behind the scenes and constitute, in fact, a government above government. Being genuine admirers of the Soviet Union, there is nothing unnatural for the Chinese Communists to look to it for leadership.

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It is thus plain that the Chinese Communists are psychologically well conditioned to accept the status of a satellite. Once the status is accepted, there is nothing that the Russians can not do in China. The Communists would resent the word "satellite" which they consider as a slanderous description invented by imperialist warmongers, of a perfectly honourable relationship. They believe (quite sincerely perhaps) that the Soviet Union has much to teach to Communist China. China has everything to gain from this "fraternal collaboration." This sort of unselfish and "fraternal" relationship is so new and so different from the traditional pattern that it is almost beyond the comprehension of the imperialists. It is based on the spirit of internationalism, a much higher stage of historical development than the capitalist concept of nationalism.

The tragedy of the Chinese situation is that, much as the majority of the Chinese people dislike the Communist attitude towards Russia, there is nothing they can do to change it. Alternatives simply do not exist. Immediately after the Japanese surrender many people had great hopes for the Kuomintang. But three years of incompetence and misgovernment, three years of disorder and war, have completely shattered these hopes. It is not likely that the remnants of Kuomintang power now isolated in Hainan Island and Taiwan can ever stage a comeback.

In former times and under other regimes it might have been possible to look to the intellectual classes—professors and students in the universities and other enlightened and politically conscious elements of society—for leadership. In 1919, for instance, Chinese interests were endangered by the decision of the peacemakers at Versailles to leave in Japanese hands

the former German concessions in Shantung. The students, after learning the decision, held a mass demonstration and the government was forced to instruct its delegates to refuse signing the peace treaties. The final settlement of the Shantung question was not made until the Washington Conference of 1922. This student movement, known as the May Fourth Movement, produced far-reaching effects on the intellectual, political and social life of the nation, engendering a spirit of new nationalism which reached all classes of the Chinese people. Can the spirit of 1919 be rekindled in the face of an unprecedented international situation in which the very existence of China as an independent nation may be threatened?

Unfortunately, the students of today are no longer the students of yore. The Communists are past masters in the art of manipulating youth. They know the revolutionary possibilities of student movements. In the past they had more than once exploited student demonstrations to their own advantage. Now they are in power and they are not going to let the students get out of control. Their partisans now are leaders of the student organizations, which function as one of the interlocking party fronts by which various Communist-inspired mass demonstrations and political rallies are being carried out. These Communist elements in the student organizations are willing to attend all meetings, to work long hours, and to out-wait the opposition until the control is gained. There is not the slightest chance for other students to initiate and carry through any move to which they are opposed.

The professors are worse off than the students. Every teacher, especially if he happens to be a teacher of philosophy or any one of the social sciences, has to undergo a process of "mental house-cleaning." He is required to participate in "repentant meetings" where he is supposed to make a clean breast of his past errors in belief and conduct, to show real penitence, and to promise amendment for the future. He has to take part in "self-criticism meetings" where his progress in reformation is reported. He has to study and be convinced of the "scientific truth" of Marxist-Leninist-Stalinist doctrines. All this involves as one well-known professor confided to the writer, "tremendous mental anguish." "The professor," he said, "has not only lost the freedom of speech, but he has lost the freedom of silence too." As a result, the professor is now placed under a strain which is well-nigh unbearable. In the end he either becomes a toadying academic opportunist prattling Marxian platitudes in glib volubility, or droops and withers like a plant in an uncongenial air. Such is the fate of this group of men, probably the best intellects of the country, who were trained in the West and have an understanding of Western institutions, and had in the past played a great role in the intellectual and political life of China.

The Communists have prided themselves on their ability to assume the

leadership of a popular revolution, deriving their energies not from a handful of men, but from the will and struggle of the millions. This might have been true in the Yen-an days when their influence was confined to a few counties in a small rural area; it is no longer true today. Michael Lindsay, admittedly a pro-Communist observer who had lived many years in the Communist areas during the war, reported from Peking that the Communists "have not yet got the mass support they had in the older Communist areas; because they have not been able to offer the same economic inducement of better living conditions." With their "lean-to-one side" foreign policy, they probably will never be able to offer the kind of economic inducement which had obtained in the older areas. The taxes and levies are heavier than they were in the Kuomintang days, and a major portion of the peasant's produce is taken away. The small tradesmen are being driven out of business. The factories are not producing because of a lack of raw materials. "The result," reported Mr. Lindsay, "is that lots of people saw 'we are supposed to have been liberated but we are worse off than we were before' (The New Statesman and Nation, November 12, 1949). It is therefore not surprising to find peasant uprisings burst out in various parts of the country. These uprisings are being put down without quarter or mercy. It is indeed no easy thing to revolt against the absolute police power of a revolutionary regime. In their desperation they have been hoping for an early outbreak of a third world war to deliver them from their present plight."

In the absence of an alternative, the Communists in China are here to stay. And as long as they are here, China's destiny is irretrievably bound up with that of the Soviet Union, and Chinese nationalism will have to yield place to Soviet nationalism or, what really amounts to the same thing, to Soviet internationalism.



## ECONOMIC NEWS FROM THE UNITED STATES

By E. Kann. (Los Angeles)

(Special to Far Eastern Economic Review)

### The Economic Situation

Notwithstanding numerous strikes, the economic situation in USA continues satisfactorily. The coal walk-out is now more than ten months old and threatens to cast its shadows over many inter-dependent industries, like steel, auto-manufacturing, railroading, etc. etc. Yet, judging by the doings on the New York Stock Exchange, confidence is being maintained in a happy ending.

Some of the readers of the journal might recall that, more than six months ago, I foretold that America's economy was basically sound and that the 1949 financial results would compare favourably with the record earnings of 1948. This has now been officially confirmed.

In the course of 1949 American corporations disbursed the largest total of dividends, namely \$6,495,800,000. This represents an all-time high; it surpasses 1948 disbursements to the tune of 7%. The foregoing results relate to the larger of the U.S.A. corporations only, companies representing about 65% of public enterprises. Smaller corporations do not publicly report their financial results.

Amongst industries showing outstanding increases over 1948 were the auto-manufacturing concerns, whose dividend yields were up 50% over 1948. Iron, steel, oil and chemicals also divulged moderate enhancements. But dividends declared by textile and leather factories were 25% lower than in 1948. Producers of paper, printing, non-ferrous metals, paid appreciably less.

Regarding the position today there is no doubt that the steel mills, as well as motor-car manufacturers, are booked to capacity, but their prosperity might be disturbed by the continuation of the soft-coal strike.

The outlook for amusement shares (cinemas and film producers), as well as for oil concerns, is not brilliant; at least not for the time being. American Woolen Co., the world's largest woolen factories, disclosed very poor results for 1949. Its net profits for the year were about 1,800,000 dollars, a figure which is about \$14,000,000 less than the earnings for 1948. The directors passed the last quarter's dividend, causing a drop of about 20% in the concern's share quotations overnight. Here is an example of erratic movements. The stock of American Woolen Co., recorded highs for the 10-year period 1937-1948 of \$70¼ a share; and lows of \$3¼. Fluctuations during 1949 were: high \$38½, and low \$21½. Today they were done at \$24. In 1948 the company paid dividends, working out at about 30% on current market quotations.

Du Pont Co. just announced a quarterly dividend of 75 cents a share. Its net earnings for 1949 work out at \$4.52 a share. Out of this \$2.84 was derived from its own business operations and \$1.68 from dividends paid by General

Motors. It might be recalled that Du Pont de Nemours hold as many as 10 million shares of General Motors, or 22% of the total issue.

### T. V.

Along the China coast, when using the abbreviation of "TV" one either thinks affectionately of T. V. Soong, or is using this synonym when devotedly speaking of T. V. Soong. Here in America it plainly and unemotionally signifies: Television.

This mushrooming industry has forced its way to the front ranks and tries to play first fiddle. The National Industrial Conference Board recently completed an analysis of the television market and has this to say: The video industry appears big enough now to take in its stride the prospective expansion in its market over the coming year. In the final quarter of 1949 it turned out sets faster than it expects to average in 1950.

About 6,500 sets were produced in 1946; in 1947 about 200,000 were manufactured; slightly under 1,000,000 were made in 1948, while output during 1949 is estimated to have surpassed 2,600,000 sets. According to the Radio Manufacturers Association, the industry expects to produce about 3,700,000 set in 1950. Speaking from experience, there is a seasonal pattern connected with the TV industry in America. There is a gradual falling-off during the first half of the year, while demand is at a low point in June and July. As the second semester progresses demand is increasing. From 1950 onward prospects for the industry seem to point to continued growth at an accelerated pace.

In appraising market possibilities for TV apparatus, it is pointed out that now there are about 30,000,000 refrigerators in use in America and 63,000,000 radios in 42,000,000 homes. The potential price of a TV set is closer to that of the refrigerator than to radios. Estimates by industry observers of the potential set market range from 25,000,000 to 40,000,000.

At present TV stations cannot transmit consistently good signals beyond a range of 50-75 miles. Television coverage at present is limited to slightly over 50 metropolitan areas, embracing about 22,000,000 families. In autumn of 1948 the further expansion of sending stations was 'frozen', but when the temporary 'freeze' is removed, new markets will be opened. It is expected that eventually television facilities will be made available to rural sections by means of satellite relay stations.

There is still a serious controversy in connection with transmitting colored pictures. While three companies are experimenting in this realm, others opine that some years must pass before coloured TV performances can be had satisfactorily. While TV sets manufacturers are reaping good profits, station owners are not yet out of the red.

Price advances in TV shares, since the opening of 1950, have been spectacular; they represent a one-man bull market. The following table shows the rapid progress in price hikes made during the first six weeks of this year:

	End of 1949	Mid-1950
Admiral Corporation .....	\$ 17½	\$ 24½
Avco Manufacturing Co. ....	6	7
Emerson Radio Co. ....	15½	28½
International Telephone Co. ....	9½	12½
Magnavox .....	11	29½
Motorola .....	24	36
Philco Radio .....	32½	39½
Radio Corporation .....	12½	15½
Sparks-Whistington .....	4½	6½
Stewart Warner .....	12½	15½
Zenith Radio Corporation .....	22½	49½

As will be seen, Zenith is by far the best performer. Radio Corporation is the largest amongst the TV concerns, but it has a wide field of other activities which, in critical times, might profit from diversification; furthermore, Radio Corporation persists in paying small dividends, possibly with an object of conserving funds.

On February 21 Admiral Corporation published its 1949 results. Its net earnings constitute an all-time high. Net earnings were \$8,240,000, representing \$4.12 on each of the 2 million common shares. The comparable figure for 1948 was \$1.82 a share.

Needless to say, dealings in TV stocks at the New York Stock Exchange are very large and fluctuations in the price enormous. When professional operators deem the moment ripe for taking profits, quotations take a good-sized dip, but soon they are seen bouncing up again. Anyway, TV shares are the spring fashion in America in 1950.

### Cold Potatoes

In my last report I spoke about hot potatoes; today we have to deal with cold potatoes. It is the continuation of the old sob-story, according to which Government bought surplus potatoes from citizens farmers at about \$1.65 for 100 pounds and has now to sell them, duly dyed blue, at 1 cent for 100 lbs, with gunny bags thrown in gratis. In retail market halls potatoes are priced at 6 to 7 cents per pound. U.S. authorities could not dispose of the huge stocks, taken over from farmers who could not otherwise get rid of them; so they have to close out at a loss of from 80 to 100 million dollars.

Yet, in spite of such sad facts cables from New Orleans, dated February 7, report in unequivocal terms that large shipments of potatoes were imported there from Canada, a country known for its extreme cold. One of the importers, J. Segari, asserts that he was unconcerned about the economics of the dilemma. Facts reveal that he can buy choice potatoes from Canada at lower prices than from their home ground, Idaho or Maine. In doing this he has to pay freight and import duty. He continued: I am not alone in importing boatloads of Canadian potatoes. They arrive weekly in Savannah, Tampa, Galveston and other places from Canada. Segari stated that Idaho potatoes would cost him c.i.f. New



Orleans \$4.40 a hundred pounds. He declined to quote what Canadian potatoes cost him, though he made it clear that he was reselling the latter in this country at \$4, retaining a fair profit. This after having paid 75 cents import duty on 100 pounds.

Secretary of Agriculture Brannan is, what is popularly called "a big potato." So we have here three sorts of spuds. Undoubtedly the Secretary is a very capable person; and there is no suggestion of corruption in any part of the apparatus. Then the question will arise: Why are 100 million dollars of the tax-payer wasted? Are there other commodities treated somewhat similarly. The answer is: politics, or call it votes. Not that every farmer benefitting by subsidies will vote for the democratic ticket. In fact I have it from first hand information that, for example, in the mountainous State of Vermont (only 400,000 population) farmers' vote remains solidly Republican.

#### Thought for Food

I suppose, the phrase, as commonly applied, should read: Food for thought? Yes, potatoes are not the only casualty. Eggs and milk also are now placed on the give-away-list. There is a warehouse supply, obtained by Government, of dried eggs and dried milk, costing originally \$115,000,000. These two commodities will be placed on the free school lunch program; part will be diverted to the Bureau of Indian Affairs and to Federal, State and local public welfare agencies.

For the rest the U.S. Department of Agriculture recently stated that, generally speaking, the U.S. public may get more food less cost in 1950. It predicts that there will be more turkey (though less chicken), more spinach and candy this year on people's tables.

The reasons advanced, as to why people would be eating better are: With good weather crops in 1950 will be a little better even than in 1949. Income and employment are not likely to decline sensibly, so that one can reckon with money spent on food to the extent of 1949 expenditure. Exports of grain are expected to fall off somewhat, so that more food will be available in this country. There are clear signs that much more pork will be available in 1950, so that prices will be lower. Seemingly chicken are being better trained, for on one side the public is assured that in 1950 America will have more eggs from less chicken. As a matter of fact, if all American hens retired from active service today, Government would have enough dried eggs (now stored in caves in Kansas) to last the nation for four years.

In an editorial on this complicated problem the "Los Angeles Times" (February 11) says:

"The Department of the Interior, another great and grasping Bureau, works endlessly to bring new and arid lands under cultivation, so more farmers can be paid more tax dollars to grow more foodstuffs which the Department of Agriculture can buy up and take off the market so that food prices to the consumer—the common man so dear to everybody's heart—can't go down."

### The Situation in Kwangtung

After 4½ months of 'new order' in Kwangtung there are no signs of material improvement discernible. Business is poor and prospects for better earnings of the merchant and entrepreneur class as well as the workers—the so-called masters of the new state—are remote. The provincial government and the military authority, personified by General Yeh Chien-ying, have however good reason to explain the continued failure of the new regime to realise the hopes of the liberated people for a better and more secure living by pointing to the flare-up in the civil war, the air raids and the naval blockade by the KMT forces. However these explanations while in themselves convincing enough seeing the day-to-day increase in 'enemy' action and its bad consequences on the reconstruction of industries and communications are not the entire truth. Even without the harassment from the surprisingly recovering KMT air and naval warriors the new regime in Kwangtung would not be able to master the difficulties of the situation, and this fact is, by many 'red' theoreticians, admitted quite openly. In the long run, they and the official propaganda aver, everything will be splendid but for the moment—a considerable span of time quite unendurable to the present generation—the evils of the past must be borne as best as the masses can.

There is a scarcity in everything: home grown foodstuffs are short and dear—for the wage earners in Kwangtung, not for foreigners who possess their own currencies which can be exchanged, at a very openly operated black market, into large quantities of People's Bank money—and imported commodities, both raw materials and consumer goods, beyond the reach of the majority. Smuggling between

Hongkong, Macao and Kwangtung is in full swing and for those who have sufficient cash there is no shortage but the number of well-to-do people is declining both by emigration (to Hongkong), by heavy taxation, by Victory bonds subscription drives of a very emphatic nature and by self-denial (many wealthy residents prefer, as has been played so nicely in liberated cities elsewhere in China, to appear as penniless and, to keep up this not generally believed show, they indulge in ostentatious penury).

Prices keep on rising but incomes do not; workers are called upon to emulate Soviet and Manchurian labor idols who have accomplished Stakhanovite records but their earnings, in terms of consumer goods, show a reverse trend than could be expected from increased output. There is grumbling and much open dissatisfaction and humor, of a kind which the authorities dislike, gets ever more sarcastic. The city of Canton, never a heartening sight with its ruins and filth, is not progressing as was so often promised before the liberation (last October 15), on the contrary there is everywhere further and even marked deterioration. Part of this decline is of course a result of the civil war operations, e.g. the curtailment of electric power supply, reduction in water supply, lack of maintenance to vehicles, a deserted harbor. However the much vaunted revolutionary spirit, of with the CCP is making so much, and probably with some good justification, in Manchuria and North China, appears to be lacking in Kwangtung. The explanation for this phenomenon is the general sceptical attitude of the Cantonese who with the exception of a small number of party workers and the growingly indoctrinated flock of youths look on impassively, gaping at the official fervor and endlessly repetitive CCP ballyhoo in much disbelief.

The manner of getting things done smacks of distinctly non-Chinese methods, the whole enlightenment is strange and queer, the new men who appear everywhere, speaking with northern accents and often only a northern dialect, are the object of much amazement but of little co-operation. The imprint of the communist ideology on anything which is being done or proposed to be done is making the people wonder and the ensuing perplexion, when it finally wears off, does not bring about popular enthusiasm and an atmosphere conducive to labor heroism. There is growing a silent but hard resistance to the new masters; this resistance is leaderless and unorganised but it exists and by virtue of the economic deterioration it is a matter of concern to the new authorities.

No undue alarm is however felt by the 'democratic dictators' in Canton; they know, as all the people do, that no effective opposition is possible, that the KMT has lost 'face' beyond any

Representative Keating of New York recently came forward with what seems a sensible proposal on its face, for getting rid of the enormous surplus stocks of food stocked up by Government. He proposes to split it amongst the people. Each family of four would be entitled to drawn 80 pounds of potatoes, 5½ dozen eggs, 24 quarts of dried milk, ½ pound of cheese, 1½ pounds of prunes, 24 pounds of dried beans and peas and ½ pound of raisins. On the other hand, such a plan would kill retail business, affecting wholesalers, transportation companies and finally the producer. While Americans were reducing those mountainous hoards of food, just as many thousand tons of commodities would be grown. These would enter one door of the warehouse, while the gratis food would be going out the other door.

View it as you like, America is a great country, blessed with superabundance, a country which can afford to pay for such luxury.



chance of repair, that no competitor for political power has as yet put in an appearance, and that all feeling of frustration, once the upswing sets in (a matter firmly believed in by the party workers), will lift itself from the minds of the harassed people. Official sympathy and solace is dispensed and there is no economy in commiserations. That the people must suffer after having suffered so much and so long is the stern credo of the CCP and nobody doubt that the road to recovery will be long and painful but that does not help at present to make co-operation between the public and the government very intimate. And it is exactly here where, probably through no fault of themselves, the authorities have failed in South China.

Nevertheless, the battle for the soul of the people continues without letup. Inside the CCP, especially after the recent arrival of Liu Shao-chi who left however too quickly after having issued instructions, there is much self-criticism and constant searching of hearts and minds. The party functionaries are, by and large, sincere and often inspired persons who are devoting their life to the cause of the betterment of the Chinese nation; their lot is most unenviable but their reward is of the heavenly kind. The political workers are struggling along and in the face of shockingly adverse developments keep up the spirit and thus influence the common man to no small degree. Where soft words and educational persuasion do not suffice, the more sinister political police enters and makes a deeper impression on the common man.

The Cantonese are renowned (or notorious) for an excessive practical inclination and their desire to make money is probably better developed than any other compatriot's in the vast country—Shanghai always excepted. So, they avoid all trouble with the authority which, as in the good old imperial days, is more feared than loved, and law-abiding means just to get by without being caught. The morally strict communists know their flock and are outraged by their frivolity in matters so vital to the survival and greatness of the People's Democracy but they cannot re-educate millions of hardened egoists. But they do not give up, they try to play for time, they placate the potential opponents, frighten others into submission, bribe those who are amenable, make promises and interpret to the less critical members of the community, but they concentrate their real zeal on the young and innocent.

The present adult generation is considered, with the exception of few politically conscious laborers and farmers, valueless or possibly only a nuisance. The youth of the nation and the unborn 'material' interest the CCP workers: the older generation will not, it is perfectly realised, commence the study of Marxism-Leninism, a complicated school of thought anyway which cannot appeal to the man-in-the-street. But where there is youth there is hope and China, as

everybody knows, is the country of the most stupendous race multiplication. From this biological point of view, the CCP can truly claim that the future of 'red China' is bright. Once the more or less recalcitrant adults of today have gone the way of all flesh and what little organised opposition there is has either been nipped in the bud or otherwise, thanks to party discipline and intelligence, defeated before it could grow into a menace, there should be no anxiety as to the smooth progress of China along the path of 'New Democracy' to all-out socialism, always following the precepts of the great and invincible Soviet Union.

With the liberalists, bourgeois democrats, dyed-in-the-wool malcontents and miscellaneous dissenters, the communists will show tolerance and forbearance—as long as there is no sign of effective opposition and sabotage, in which case the example of the Russian GPU has shown what to do to meet the occasion. In Kwangtung the CCP has met, of all the provinces of China, a rather uncongenial and unappreciative public but the situation was never misjudged by the political strategists of the party and proper measures were taken in time such as the filling of jobs, from the provincial capital down to village administrations, with reliable party members.

The most cogent reason to remain officially calm is and will remain to be the presence of an adequately large number of troops in the province. No revolt will then be countenanced even in the traditionally rebellious South. Thus, the consensus of 'bourgeois' opinion is that the CCP is firmly in the saddle and need not worry.

The existence of Hongkong and Macao as "imperialist" powers' colonies on the fringe of Kwangtung is irritating as ever it was but officially it is a matter to be ignored. When the appropriate time arrives there will be plenty of fireworks but today these two colonies play a very useful part in the economic drama of communist China—as no doubt they equally did when the KMT were on top. The rendition propaganda is quiet today but will, when the civil war is over and the dust has settled, be revived with a vengeance. Macao, to believe the Portuguese Minister of Overseas Affairs, is 'sacred' soil and the Portuguese army and navy will fight to the well-known bitter end; Hongkong being less concerned with meaningless emphasis on sacrosanctity and more with £ s. d., is already up in armour and has made it clear that no intimidation or terrorism will surprise the British and their friends, and by a sound policy of mutually profitable friendship the British plan to impress the Chinese sufficiently so that, in the end, no conflict need arise. Hongkong has, ever since the People's Liberation army swept almost unresisted over Central and South China, once the Yangtze had been crossed, adopted the best possible course to stay out of trouble and cooperation with the new regime, the forerunner of the People's Government of China at Peking, was

the watchword. Astute diplomacy will in future also help to steer the Hongkong ship of state off the cliffs of the apparently implacable rendition propagandists. However, the future of relations between Canton and Hongkong is a matter to be decided upon in the great councils of this world; as Peking moves in perfect unison with Moscow and London remains on not too unfavorable terms with the Russians there need not altogether emerge the old Hongkong 'problem'. For the time being and dependent on international developments between the Big Powers, Hongkong will follow a course of cooperation, though not too one-sidedly, with Kwangtung and the 'New Democratic' rulers in Canton will not encourage any deviation from their policy. That Hongkong must not prove politically embarrassing to Canton is obvious but some criticism, of the constructive sort, may still be offered in Hongkong. Relations will remain delicate and require unusual tact. Macao should profit from the cooperative spirit which prevails in Hongkong and rather than use strong language which is incongruent in the case of the little Portuguese colony should try its best to impress on the Lisbon government the advisability of an early recognition of Peking.

If one hears personal stories from the state of general affairs in the country and peruses letters written by dwellers in small towns and markets the conviction grows that there is nothing cheerful and that the peasants and the smaller urban communities lead very drab lives. But this is no change from before; since time immemorial the country has been vegetating along with no touch of the modern age. Promises were made by the authorities, of whatever complexion, but what was eventually realised in road building, dam construction, seed and crop improvements, water communications, housing was pitiful. It is therefore easy to say, as is always apologetically stated by party workers and sympathisers, that it can't get worse. The fact is unfortunately that in many instances life of the city and to a lesser extent country people has, since the political change-over in Kwangtung, further deteriorated.

Economic defeatism is ripe everywhere; emigration is the goal of many, not only those who have some relations or friends overseas but also others who dream of making a living in America, or the Philippines or Hongkong. But the unfriendly world is closing its doors to Chinese immigrants and even appears to be intent on getting rid of many of its old immigrants. Kwangtung is overpopulated, it is too poor to sustain a population of 35 million and the promised industrialisation, if it materialises within the next 10 or 20 years, will not help the lot of the people living today. A change of government cannot bring about the desired effects although improvements against the old corruption and exploitation are possible. Basically, the relative poverty of Kwangtung and the people's unproductivity are



## Politics in Peking

Public attention of the more articulate citizens is focused on Sino-Russian relations as it is realised that China's fate is now, that the People's Government has obviously won the civil war — with a few major battles still to be waged — and has gained recognition by a large number of foreign states, very much in the hands of Moscow. The outcome of the complicated international political game is deciding the attitude of Moscow vis-a-vis Peking; any changes inside China can only come if and when the tension between the two contesting world powers lessens or alternatively the present stage of cold war enters its fatal crisis. That Peking has any will of its own is not denied but that it can or will be exercised is frankly doubted.

the obstacles which have to be faced.

By cooperation with all countries able and willing to lend a helping hand, South China may advance; by relying only on its own strength and on Russian assistance little will be achieved even in a long time. But political considerations these days override sound economic requirements and it is the people who have to accept what the lords — 'red' or 'white' — decide. Businessmen in Canton understand the implications of the Russo-Chinese alliance and they do not like them; they have been bred and, a good deal of them, prospered by trading with western countries those now maligned and insulted by the official propaganda. But their voice has been stifled and they have never excelled in courage though gambling and taking unusual risks is their second nature. Politically, the merchants of Canton are content to be onlookers hoping for the best but inwardly afraid of the future. The misdeeds of the KMT are too fresh in their minds; any return of the compromised politicians of the former era is ruled out of the question. There is nothing else to do but to sit back and wait and make the best out of a bad situation. 'New Democracy' would not be a bad thing if it only was not already showing signs of creaking, with socialism showing its head all-too-prematurely. But the main cause for worry, among businessmen, is the alignment with Russia and the alienation of the sympathies of the West. China needs the support of every country in the world irrespective of the political creed practised overseas; what goes on these days in Peking and emanates to all provinces appears to be unreasonable to the average Chinese in Canton. No amount of doctrinaire interpretation of the course of history will convince the Cantonese that the bonds of mutually profitable relations with the trading nations of Europe and America have to be sacrificed to the greater glory of the establishment of the dictatorship of the proletariat.

The Sino-Soviet pact of alliance and friendship and what have you is, as published, clear enough and it does not require to be supplemented by additional as yet unpublished agreements. 'Alliance' — that is a term used by brothers-in-arms and has a 100% military connotation. For better or worse, China is now allied with the USSR and there is nothing the common people can do about it. All pro-Soviet propaganda and interminable hate campaigns waged against the 'imperialists' have not achieved real public enthusiasm for the alliance with the Russians; on the contrary, recent indications are that the matter has been overdone and that a reaction is setting in. The Russians are not popular, never were and never will be. For that matter no foreign state can count on love and affection among the Chinese; what is being committed these days by the 'Love the USSR, learn from the one and only Stalin, follow the Russian example, bow to the superior genius of the Soviet heroes' propaganda zealots cannot but arouse, sooner or later, public antipathies. It would be unnatural if it were otherwise.

Still, all the typically byzantine glorification of the Soviets and their incomparable leader Stalin, even if it backfires, will not change one iota the course of political action decided upon, and there cannot be conceived to arise any serious opposition to Peking save from its own ranks. The democratic parties and the ex-KMT generals and war lords who made their separate peace with the People's Liberation army do not count for anything and their early demise, by voluntary liquidation or other means, is generally taken for granted. The CCP rules supreme and no longer requires the support of the many 'democratic personages' though, for sentimental reasons, their political existence will not be abruptly brought to an end. Eventually it will be the old story of the Moor has served well, the Moor can go.

Decisive for the formation of political action in China today is the issue between the two principal factions inside the party — the old Yen'an guard vs. the Russian-returned Mukden-headquartered Cominform-subservient communists. Deviations from the Moscow planned world strategy — aiming at the erection of a universal communist empire led by the USSR — may occur but may not become known unless they reach proportions of an effective rebellion. The possibility of 'Titoism' is ever present, and openly discussed in Peking. The uniformity of the foreign policy of the CCP is stressed by the government but in fact it does not exist.

Few men in leading positions are convinced that the USSR can crush its adversaries if ever it comes to the great conflict; the majority of informed party and state officials understand the actual power position very well but they trust that a world conflict can be avoided and that therefore the USSR's vaunted strength will never be put to a test. In case of serious complications in Russo-American relations the upswing

of Chinese 'Titoism' may become compelling.

On the whole, Peking is more of a spectator, taking sides and hurling invectives into the field where the two giants are playing a very rough kind of globe game; but except for its nuisance value the effect on the outcome of the game will be negligible. This being fully realised in Peking where in spite of vainglorious statements, self-praise and chest-thumping a sense of proportion prevails — how could it be otherwise with the descendants of Confucius — the external political ambitions of the government are meeting with a very divided reception. Nothing positive has as yet been done but the language in official organs and over the radio has been threatening; solicitude for the peoples of Vietnam, Malaya, Korea, even Japan and wild accusations of so-called imperial countries, coupled with dire threats, cannot be taken seriously by the Chinese people at large. Their concern is the rehabilitation of their own country, the healing of the war and civil war wounds, the improvement of the standard of living; what happens outside the borders of their vast country can safely be ignored. However, the foreign policy makers of the government, i.e. the political bureau of the CCP, carry out Moscow's instructions which when loyally taken up and executed by the Chinese sound hollow, false and are unimpressive abroad. It is entirely unnecessary that Peking, especially under present excruciating national trials and tribulations, devotes so much energy, albeit in papers and over the radio only, to the whipping up of ill-feeling abroad by offering gratuitous advice and making vitriolic attacks on the governments of other nations. This latest development in Peking's foreign policy exposes it only before the Chinese people as too anxious to carry out Moscow's instructions. No benefit whatsoever can accrue to China from its attempts at meddling in affairs of other countries but in this as so many other matters the orders of the Cominform are to be obeyed even if they are doing more harm than good, just to show the solidarity of the communist governments and to perform before the world act after act of brotherly harmony-in-communism.

In internal politics the new government meets also with plenty of criticism and objections; the press today no longer reflects public opinion and editorials cannot be taken as a gauge for the feelings or desires of the people. However it must be conceded that there is genuine public support for the CCP and this party has a great store of good will of the nation. No better government has been ruling as far as living men can remember and against the former regime the Peking government of today is in every respect an improvement. The 'leaning to one side' policy of Mao Tse-tung which in fact amounts to a falling in line with Moscow, and, even worse, meekly taking orders from the Cominform without backtalk is generally disliked, even among old party stalwarts but the



severe discipline inherent in the construction of a communist party—something like a religious order in medieval times — makes it a crime to 'disrupt party unanimity'. Therefore, the public never learns of disputes going on within the inner councils of the party though their existence is taken for granted.

The intellectual leaders of the nation, professors and scholars who command the traditional respect of the people but who are suspected and often persecuted by the new authorities, voice much disapproval of the government's foreign and internal policies but their voices do not reach beyond private circles. No publication today would dare to criticise the government; on the contrary the most fatuous and repetitive praise is showered on anything the government has done or promises to do. This sort of uncritical reporting and informing carries the root of disbelief in it; the most humble Chinese are trained much more thoroughly in the exercise of their faculty to reason and apply commonsense to every problem or fact presented than are their western equals. The Russian type of 'enlightenment' is not suited to the Chinese temperament and intellectual outfit; more subtle and reasonable arguments are required by Chinese readers than appears to be the necessity in Russia. That there is opposition to the various announced political principles as affecting China externally and internally and to the hosts of regulations which encompass all activity of the citizen is a matter which cannot be hushed up. Apart from the intellectuals who may be described as eternally dissatisfied with any authority, the educated middle class in the cities of North China is not behind the government and among workers there is, on purely economic grounds, also lack of approval for official actions. The politically informed section of the city population, notably in Peking and Tientsin, understands much better the dangers of adventurism which seems to have been adopted by the government, possibly upon prompting from Moscow.

The liberation of Taiwan is, of course, the most urgent task of the government as the continued existence of the 'enemy regime' in Taipei not only damages the prestige of the CCP but also brings about, as recent systematic air raids have proved, serious deterioration. In case of Taiwan's liberation the question of the status of that island is, for the CCP, already decided without, as educated circles in Peking would advocate, leaving it first of all to the natives of Taiwan to vote for or against union with China, and in case of a majority deciding on union to make certain what form of autonomy is requested. Nobody doubts that especially after the bad experiences of the Taiwanese with the Chinese from the mainland there is little inclination to rejoin China however the Peking government, in a surprisingly undemocratic fashion, appears to be not at all bothered in this respect.

Worse is the approach with regard to the problem of Tibet. It would have been prudent policy to leave this ques-

tion altogether out of present-day discussion and until such a time when consolidation in China proper has progressed, the civil war brought to an end and conditions in China would present themselves as more attractive than they decidedly are not today. However for reasons which are hard to determine but probably have much to do with the Cominform ideas of revolutionising Asia the Peking government has adopted an internationally censored course by claiming to be charged with the mission of liberating the Tibetans. Informed Chinese in Peking know well that there is no love lost between the Han people and the Tibetans, that deep suspicion of Chinese ambitions at overlordship remains a governing factor of Tibetan life and that there are hardly any Tibetans who really would invite the Chinese army to invade their admittedly archaic country and to deliver them of the anachronistic Lama hierarchy. It is up to the native population to effect constitutional and other changes in their country and certainly not a matter of concern to China what form of government there exists in far-away Tibet.

The attitude taken by the Peking government in this respect, apart from being described as aggressive in the truly imperialistic fashion, assumes ominous proportions when the background is studied. The impression cannot be resisted that the Cominform has very much to do with the 'Tibet liberation policy' of Peking as there is no question of KMT vs. CCP involved, the Tibetans having shown their unmistakable animosity vis-a-vis the KMT as indeed vis-a-vis anything Chinese. It appears that Peking, on orders from a superior authority, is shouldering the task of kindling the fires of world revolution in Asia and one active step towards achieving this goal is the inclusion of Tibet into the Soviet orbit. The practical value of such an act, involving aggression of the first water, would be almost nil as Tibet is to all intents and purposes unproductive and geopolitically uninteresting. But the cause of the world revolution must be pushed and the fires of communist inspiration kept burning. That China is not at all to profit from such adventure, on the contrary may lose further sympathies abroad especially in the non-communist part of Asia, is a matter of no concern to the policy makers in Peking.

These men may be excused however if one takes into consideration the overall direction of Chinese affairs, internally and externally, by a body of men who have either Russian interests at heart or are otherwise possessed by the idea of realising the communist world revolution during this generation. The nefarious effects of the unconditional alignment of China with the USSR are as yet not clearly felt but their future predicaments can be easily seen. During the period of civil war it was necessary to gain the support of Russia and it is still vital that China today can count on Russian assistance; but it reveals lack of Chinese firmness and political astuteness when the rule of the Comin-

form in China is to be accepted. Or is one to assume that the Russian political master-minds are so superior to the Chinese compelling them to forego a compromise, of choosing 'falling head over heels for one side' rather than 'leaning towards one side'?

The public is belabored with overdoses of political instruction of the communist type. No moderation is exercised; another most un-Chinese trait is thus revealed in the current propaganda epidemic. The excesses of this propaganda and the very frequent absurdity of arguments have, on more educated people, a contrary effect from that desired by the government. Agitation and inflammation of the uninformed masses is a high priority matter but it speaks well for the traditional equanimity of the average Chinese that he does not rise in fury to extinguish the alleged wickedness of the anti-communist camp. Often one cannot help wondering what sort of atrocity propaganda would be concocted in the event of actual red-hot war now that inflammatory and denunciatory agitation of the people has been driven that far.

Among the favourite techniques of enlightenment are the meetings of any imaginable kind of people in little groups where some party workers lead the audience to the desired goal after giving their version of things; after a discussion the meeting leader is putting one or more questions to a resolution and there is regularly unanimity in adopting the framed resolution. Similar endings crown study group meetings while reading and self-instruction circles also receive the attention of trained resolution proposers for the purpose of clearing the minds of the people in all matters of real or imagined public interest. As an example, the discussion of the question 'Is America a paper tiger?' engages the interest of innumerable meetings made up of workers, farmers, students from any age to any age, clerks, railway coolies etc., etc. A team of party workers go out into the country, after having gained volubility in their stunts in towns, and call the peasants together posing the above question. Some discussion of not a very high standard, as can be imagined, nor burdened with arguments pertinent to the question posed ensues and finally the resolution is proposed that 'America is nothing but a paper tiger' and without fail it is unanimously adopted. Whether China is a paper dragon has so far not been put to a meeting.

If not for the many thousands and thousands of political workers and agitators and the constant recruiting of more young men and women for that type of occupation the unemployment figure, already alarming, would be even more depressing especially among the educated classes.

In economic affairs the difficulties continue as before, they are a heritage of the past and cannot be dissolved in so short a period as one year or even 5 years. Given internal peace the government should be able to tackle all problems, of production, trade, communications and finance, but foreign assistance will be necessary unless re-



## The Sino-Soviet Pact of Alliance and Mutual Aid

Following are published the full text of the *Sino-Soviet Pact of Alliance and Mutual Aid*, and the two Agreements accompanying the Pact, viz. *Agreement on the Changchun Railway and Port Arthur and Dairen*, and *Agreement on Grant of a Loan to China*. These three documents, translated from the Chinese text, are of very great importance for China's political future and require close study of all the possible implications. A set of unpublished agreements was believed to have been concluded in Moscow at the same time which concern mostly matters of military significance.

The Central Government of the People's Republic of China and the Presidium of the Supreme Soviet of the Union of the Soviet Socialist Republics, being determined to promote friendship and co-operation between the People's Republic of China and the U.S.S.R., to prevent with joint efforts the recurrence of the Japanese imperialism and any renewed aggression instigated by Japan or other nations who may take actions of aggression in any form by collaborating with Japan, and desirous, following the aims and principles as set up by the United Nations Organization charter, to safeguard a lasting peace and general security of the Far East and the whole World, and convinced that friendly relations and a strong friendship between China and the U.S.S.R. are in accordance with the fundamental interests of their respective peoples, have thus decided to conclude the present pact.

**ARTICLE 1:**—The Signatories guarantee to each other to take, jointly and with all their power, the necessary steps to prevent any renewed acts of aggression and threats to the peace by Japan or other nations who are in their actions of aggression collaborating with

Japan directly or indirectly. If one of the Signatories shall have to meet with the aggression of Japan or her allies and being thus placed into a status of war the other Signatory shall immediately render full military and other kind of support.

The Signatories declare their preparedness, based on a sincere and co-operative spirit, to take part in all international activities for the purpose of safeguarding World peace and security and to make efforts for speeding up the realization of this purpose.

**ARTICLE 2:**—The Signatories guarantee to each other to close, under mutual agreement and jointly with the allied nations during the second world war, a treaty of peace with Japan as soon as possible.

**ARTICLE 3:**—Neither of the Signatories shall enter into any alliances with other nations contrary to the interests of the other partner of the present pact nor participate in any group or actions or moves against the other partner of the present pact.

**ARTICLE 4:**—The Signatories shall, for the purpose of the preservation of peace and general security negotiate and agree on all international problems of importance which are relevant to the joint interests of China and Soviet Russia.

**ARTICLE 5:**—The Signatories guarantee to each other, in the spirit of friendship and co-operation and in accordance with the principles of equality and mutual benefit, of respecting each other's sovereignty and territorial integrity and of non-interference in each other's home affairs, to develop and strengthen all the economic and cultural relations between China and Soviet Russia, and to render to each other all possible economic aid, and to put the necessary economic co-operation into effect.

**ARTICLE 6:**—The present pact becomes effective immediately upon ratification. The exchange of the documents of ratification shall take place in Peking.

The present pact is to expire in thirty years, but shall be extended for another period, of five years if either Signatory shall fail to express the desire of its abolishment within one year prior to the expiration of the pact, and the same form shall apply to further extensions.

The pact has been closed at Moscow on 14th February 1950 in two sets of documents, compiled in Chinese and Russian languages and equally effective.

### SINO-SOVIET AGREEMENT ON THE CHANGCHUN RAILWAY AND THE TERRITORIES OF PORT ARTHUR AND DAIREN

The Central Government of the People's Republic of China and the Presidium of the Supreme Soviet of the Union of the Soviet Socialist Republics firmly recognize that a fundamental change in the status of Far Eastern

affairs has taken place since 1945, that is: imperialistic Japan has failed, the reactionary Kuomintang Government has been overthrown, China has become a People's democratic republic, a new People's government has been formed; this new People's government has unified the whole of China and is pursuing a policy of friendship and co-operation towards Soviet Russia and has proved to be competent by herself to maintain firmly independence, sovereignty and territorial integrity of the nation of China, as well as the glory of the race and the honour of the people.

The Central Government of the People's Republic of China and the Presidium of the Supreme Soviet of the U.S.S.R., further recognize that this new state of affairs has rendered possibilities for a rearrangement of the problems relative to the Changchun Railway and the territories of Port Arthur and Dairen.

The two governments have, based upon these new facts, decided to conclude the present agreement regarding the Changchun Railway and the territories of Port Arthur and Dairen.

**ARTICLE 1:**—The Signatories agree that the Soviet Government shall transfer all her rights of co-administration over the Changchun Railway and all its properties to the Government of China without any indemnification. This transfer shall take place immediately upon concluding of a peace treaty with Japan, but in any case not later than towards the end of the year 1952. Prior to the transfer the status quo of the Sino-Soviet co-administration over the Changchun Railway shall be maintained. But upon the present agreement being put into force the offices (such as the chief of the Railway Bureau, president of the board of directors etc.) shall serve in turn by the Chinese and Soviet representatives.

The Governments of the Signatories shall, by agreement, fix concrete measures for the enforcement of the transfer.

**ARTICLE 2:**—The Signatories agree that Soviet troops shall, upon closing of a peace treaty with Japan, but not later than towards the end of the year 1952, evacuate the naval base of Port Arthur which is at present under joint use and transfer all installations in that area to the Government of China. The Chinese Government shall indemnify the Soviet Government for all expenses which have occurred for repairs and new construction of these installations since 1945.

During the time when the evacuation of the Soviet troops and the transfer of the installations shall take place the Chinese and Soviet Governments shall appoint military representatives, equal in number, to form a Joint Sino-Soviet Military Commission for governing the military affairs in the area of Port Arthur. The chairmanship of this Commission shall be served at fixed terms and in turn by the representatives of both Governments; concrete measures shall be made by the joint military commission within a period of three months after the present agree-

covery is considered in terms of decades. Whatever one studies in China, be it equipment of factories, harvesting of crops, managing a shipping business, producing simple consumer goods etc., there always are conspicuous shortcomings. The needs of the nation are immense; rehabilitation will tax, for many years, all the ingenuity of the people and unremitting toil will be the lot of the masses. Even with generous foreign support the task of rehabilitation will be a formidable one as the country is lacking practically in everything. To industrialise China, to a modest extent, is beyond the ability of the present generation but a beginning can be made on the basis of today's advanced position of industrial and scientific production and research. The new government is certainly more honest and sincere in its aim of raising the living conditions of the Chinese and if it can keep away from international entanglements and would concentrate on nothing but Chinese affairs the progress of China, after the termination of the still burning civil war, may prove to be a speedy one.



ment being put into force, and these measures shall become effective upon ratification by both Governments.

The civil administration in that area shall be put under the direct control of the Government of China. Prior to the evacuation of Soviet troops the Soviet garrison shall maintain the present existing boundary lines.

If any Signatory shall have to deal with actions of aggression by Japan or any other nations collaborating with Japan and thus being involved into actions of war, the Governments of China and Soviet Russia may, upon suggestion of the Government of China and under agreement of the Government of Soviet Russia, make joint use of the naval base of Port Arthur in order to facilitate a common war against the aggressors.

**ARTICLE 3:**—The Signatories agree that the question relating to the Port of Dairen shall be dealt with upon conclusion of a peace treaty with Japan.

The civil administration shall be placed under the direct control of the Government of China. The properties in Dairen which are at present under provisional administration or in use under lease by Soviet Russia, shall be taken over by the Government of China. The Governments of China and Soviet Russia shall, for the purpose of realizing the take-over of the aforesaid properties, each appoint three representatives to form a Joint Commission and to stipulate concrete measures for the transfer of properties within a period of three months upon the present agreement being put into force, and upon these measures being proposed by the joint commission and ratified by both Governments the transfer shall be completed within the year of 1950.

**ARTICLE 4:**—The present agreement shall become effective on the date of it being ratified, documents of ratification shall be exchanged at Peking.

Made at Moscow on 14th February 1950 in two sets of documents, in the Chinese and Russian languages, text in both languages is equally effective.

#### SINO-SOVIET AGREEMENT ON GRANT OF A LOAN TO CHINA

The Soviet Government agrees in compliance with the request of the Government of China to grant a loan to China which shall be used as payment for the industrial installations or other kinds of products and materials delivered to China under agreement on the part of Soviet Russia; both Governments have thus stipulated the present agreement.

**ARTICLE 1:**—The loan granted by the Soviet Government to the Government of China shall be expressed in terms of United States Currency and shall amount to Three Hundred Million U.S. Dollars; the rate of one ounce, of pure gold equalling thirty-five U.S. Dollars shall serve as basis of calculation. In view of China being badly devastated by wars within her territories

### Economic Developments in Shanghai & Tientsin

#### SHANGHAI

(For the period of February 8 to 14)

Commodity prices were still continuing their upward climb under the impetus provided by panic buying following the air attacks on Shanghai. As an aftermath of these raids, a lucrative black market in candles has developed with the authorities not only forced to place ceiling prices on these items but on other "air raid" necessities as well, including bandages, adhesive, sulfa, hurricane lamps, etc.

**Banking and Finance:**—With the increase in prices the money market was very tight at the end of the week and banks were reluctant to grant any loans. The scarcity is apparent in the fact that 2,742 bad checks were issued on February 13. (On November 26, 1949, however, a total of 3,735 checks were dishonoured, the largest number recently recorded.)

Official foreign exchange rates for the US dollar were revised upward on February 9, the cash rate from PB\$ 22,500 to 24,000 and the commercial draft rate from 25,000 to 27,000. On the same day telegraphic transfer rates for the pound sterling and the Hongkong dollar were also increased, the pound from PB\$61,600 to 67,500 and the Hongkong dollar from PB\$3,950 to 4,200. The official note rates for these two currencies remained unchanged at 40,500 and 2,700 respectively.

Current official rates for other currencies were quoted as follows (first figure is TT rate; second is cash rate): Rupee, PB\$5,060 and 3,100; Straits dollar, PB\$7,850 and 4,900; Australian pound, PB\$54,000 and 32,400; Canadian dollar, PB\$24,300 and 14,000.

The Soviet Government agrees to grant her a loan at favourable terms and at a rate of interest of one percent per annum.

**ARTICLE 2:**—The loan as stipulated in article 1 shall be granted in five equal and annual installments within the period of five years beginning with the First of January 1950, and shall be used as payments for the Soviet deliveries of industrial installations and equipment and other kinds of products and materials including electric power plants, metals, machine manufacturing works, coal mining and other mining installations, equipment for railways and other means of transportation, and other kinds of products and materials which are needed for the purpose of rehabilitation and development of the People's economy of China.

The kinds, quantities, prices and time of deliveries shall be specified in a special agreement by both partners. Prices shall be adjusted in accordance with world market prices.

If a balance is left after the expiration of one year's period, the sum may be carried over to next year's account.

**ARTICLE 3:**—The Government of China shall redeem capital and pay interest on the loan specified in article 1 in the form of deliveries of raw

Black market rates also showed a slight rise over the week with the US dollar increasing to PB\$28,000, and the price of gold, per ounce, quoted at PB\$ 1,080,000 although the price of the latter remained at PB\$620,000 for the purchase of victory bonds.

The parity deposit unit rate rose to a new high of 6,135 on February 13 marking an increase of 20.7% since February 6. Its ratio to the United States dollar had dropped to 4.4. The press even gave a detailed explanation of the value of the pardep unit thus indicating that the pardep was getting out of hand. However, on the following day, February 14, the unit was down to 6,045.

**Foreign Trade:**—Consular declared exports to the United States from Shanghai during November 1949 rose to US\$1,150,222, as compared with declared exports valued at only US\$712,310 in October but fell to US\$875,349 in the month of December. The value of the six leading export commodities to the United States in the months of November and December were as follows:—

Commodity	Nov. US\$	Dec. US\$
Cotton and linen embroideries .....	243,077	65,357
Bristles .....	188,082	75,114
Straw hats: sisal, ramie, and Buntal fibers .....	133,377	165,689
Feathers .....	126,066	107,520
Sheep wool .....	76,312	75,755
Tung oil .....	73,027	71,814

Total declared exports from Shanghai to the United States for the year 1949 were US\$18,420,417 with a month-

materials, tea, gold and United States dollars to the Government of Soviet Russia. Prices, quantities and time of delivery shall be fixed by a special agreement. Prices shall be adjusted in accordance with world market prices. The loan shall be fully due in ten years and redeemable in ten yearly equal installments, viz. one tenth of the loan received shall be due for payment before every 31st of December. The payment of the first installment shall be due before the 31st of December 1954, and those of the last installment before the 31st of December 1963. Interest on the loan shall be calculated on the sums actually used and for the time of the actual use of the sums and is payable semi-annually.

**ARTICLE 4:**—For the purpose of settlement of accounts of the present loan the Soviet National Bank and the People's Bank of China shall simultaneously open a special account.

**ARTICLE 5:**—The present agreement shall become effective on the date of being signed, but it shall be ratified and the exchange of the ratification shall take place at Peking.

Signed at Moscow on 14th February 1950 in two sets in the Chinese and Russian languages. Text in both languages is equally effective.



ly average of US\$1,535,035. Although this was a decided falling off from the 1948 total of US\$60,982,476, the drop was more precipitous when comparing the first and second half of 1949 with the two six-month periods of 1948. From January through June 1949, total declared exports were valued at US\$14,455,439, a 40% decline as compared with the first six months of 1948; from July through December 1949, declared exports were only US\$3,964,978, representing an 89% drop over the corresponding period in 1948. The effects of the closure of the port and the inroads of the civil war are readily apparent.

It was announced that private firms may now export soybeans, ground nuts, peanut oil, and tung oil, subject to regulations prevailing in local areas. Tungoil was never officially under government monopoly. Tea has been brought under export floor price control, although no prices were quoted. The South China Foreign Trade Corporation is buying wolfram, tin, antimony for export.

Shanghai importers are attempting to sell in Tientsin or Tsingtao goods originally destined for Shanghai that were offloaded in North China due to the blockade. East China trade authorities, however, are demanding guarantees that sulphur and caustic soda will not be sold in the north but brought to Shanghai within a reasonable time. Imports of alcohol have been banned.

Import-export permits for trade between Port Arthur and Dairen in Manchuria and the rest of China are no longer necessary.

Canton authorities have ordered all importers and dealers to sell their stocks of knitting wool, cosmetics, wines, liquors, and beer within three months; thereafter, imports of these items into Canton will be prohibited.

Imports of foreign raw cotton into Shanghai since first of January have totalled only 3,300 bales. Of Shanghai's 10,000 factories in operation in Dec. 1949, 72% were operating as low as 10% of capacity. However, it was reported that the shipbuilding, paper, and ink industries had more firms than before the communist takeover.

The East China Foreign Trade Control Bureau relaxed its hold on Diesel oil stocks for factories equipped to operate on oil.

**Mining:**—Total 1949 production of the Kailan coal mines was 3,345,227 tons.

**Postal Service:**—The press on February 5 contained an announcement by Shanghai Post Office that as of February 4 international airmail service was resumed. Airmail will be carried to Hongkong via Canton by railway and sent by plane from Hongkong.

**Commodities:**—With the slackening of the buying panic following the air attacks, there was renewed purchasing for New Year, thus keeping prices on the increase. While the press blamed speculators for the increase in the price of rice, there was an admission that decreased arrivals had an effect. During the week, cotton cloth registered the biggest increase, as will be seen in the comparison with the preceding week:

Commodity	Unit	Feb. 6 PB\$	Feb. 13 PB\$	Increase over prior week (percent)
Rice (1st grade) .....	172 lb bag	290,000	310,000	6.46
Flour .....	49 lb bag	89,000	93,700	5.02
Pork .....	Catty	7,500	8,500	11.77
Beef .....	do	6,500	7,500	13.34
Oil (soybean) .....	do	5,600	6,200	9.68
Bricks (briquettes) .....	do	286	288	—
Cloth .....	40 yd bolt	220,000	298,000	25.68
Sugar .....	Catty	5,300	5,300	—

(A catty is equal to 1.1023 pounds.)

#### TIENTSIN

(For the period of January 21—27)

**Foreign Trade:**—The official North China Import Company in 1949 obtained the equivalent of US\$16,685,781 in exchange out of annual allocation of US\$51,407,430 for the importation of foreign commodities; or 31% of the total allocated. Of the equivalent of US\$20,900,796 worth of actual imports passing through the maritime customs in the period March-December 1949, this company brought in US\$13,343,179 of goods, representing 63.84% of the total. The company's imports comprised gunny bags, rubber, and wood pulp, 60%; copper wire, copper, and lead, 30.9%; dyestuffs, paper, matches, and pharmaceuticals, 7.1%; and radio tubes, motors, and other electrical equipment, 2%.

In the period January 11-20, exports

from Tientsin were valued at the equivalent of US\$1,236,000 and imports as amounting to the equivalent of US\$2,104,000. Of leading exports, furs and hides comprised 13.10%; albumen and yolk, 7.78%; rugs, 8.92%; walnut meats, 6.46%; menthol crystals, 6.01%; and straw hats, 5.17%. Major import items comprised the following: Old and new gunny bags, 33.69%; copper wire, 7.45%; and lubricating oil, 5.69%.

**Finance:**—Foreign exchange transactions for the week ending January 21 totalled US\$1,553,896, £40,921, and HK\$1,971,851, aggregating the equivalent of US\$1,983,973, an increase of US\$146,825 over the previous week.

Official foreign exchange rates were revised on January 27 as follows: US dollar, PB\$27,500 (TT) and 24,750 (cash); pound sterling, PB\$77,000 (TT) and 51,333 (cash); and Hongkong dollar, PB\$4,167 (TT) and 2,292 (cash).

#### Taiwan's Foreign Trade

Excluding trade with the Chinese mainland, foreign trade statistics for the island of Taiwan in 1949 reveal that sugar continued to be the leading export item, aggregating 299,658 metric tons, or over four times the amount shipped abroad in 1948. Quantities of other leading exports in 1949, with corresponding figures where available for 1948 in parentheses, consisted of the following (all figures in metric tons): Salt, 114,992 (3,235); coal and coke, 40,136 (370); molasses, 20,406 (—); cement, 19,830 (32,150); tea, 12,962 (4,756); and fruits, 4,449 (7,222).

As in 1948, petroleum products headed the list of imported items. In 1949 the quantity of imported Diesel oil totalled 84,059 metric tons, while imports of mineral oil, aviation gasoline, and lubricating oil in the same year were reported as totalling 1,293,165 liters and 2,700 tons. Crude oil imports in 1949 aggregated 91,568 metric tons. By comparison, the total quantity of liquid fuels imported directly in 1948 were reported by the Chinese Maritime Customs as 149,422 metric tons while imports of kerosene oil, linseed oil, and lubricating oil in that year totalled 12,879 liters. Imports of fertilizers ranked second in 1949 with a total of 147,964 metric tons. In 1948 only 31,580 metric tons of fertilizers were imported through Tainan and Taipei; this figure, however, does not include 8,726 metric tons imported into Taiwan under UNRRA. Other important items imported in 1949 included the following: Cotton goods (including piece goods), 2,533,647 metres; bean cake,

32,132 metric tons; groundnut oil, 8,172 metric tons; machinery and tools, 5,672 metric tons; and metals and manufactures, 5,269 metric tons.

The value of Taiwan's exports for the first 11 months of 1949 was US\$28,506,000 while imports totalled US\$20,285,000.



## FINANCIAL REPORTS

## HONGKONG CLEARING HOUSE

January clearings amounted to \$881,-087,326 against monthly averages for 1947, 1948 and 1949 of \$549,587,015, \$688,971,976 and \$917,138,568 respectively. On the basis of the 1947 monthly average the January clearing total was 60.3% higher, but about 7% below the 1949 average.

## HONGKONG CURRENCY

In January bank note circulation amounted to \$804,204,881, a slight increase over December 1949 when the figure was \$802,924,076. Hongkong & Shanghai Banking Corp. issue was \$753,376,790, Chartered Bank of India, Australia & China \$46,834,101, and Mercantile Bank of India \$3,993,990.

Monthly averages of bank notes in circulation: second half year 1948: \$769.1 million; first half year 1949: \$860.1 m., second half year: \$818.5 m. Compared with the note issue as at the end of 1947 (\$675.1 m.) the January circulation amounts to an increase of 19%.

## HONGKONG PUBLIC FINANCE

The budget for the fiscal year April 1950 to March 1951, now being submitted to Legislative Council, provides for an expenditure of \$199,051,037. The expenditure estimate for the current fiscal year which ends at March 31 was \$179.9 million but it is likely that expenditure will actually amount to only \$165 to 170 m. The increase of the estimated expenditure for the next fiscal year over the current year is almost \$20 m. or exactly 10.6%, and it represents the highest figure for public expenditure in the Colony's history.

Revenue during the year 1949/50 has been buoyant; while it was estimated at \$180.1 b. the actual receipts will probably be around \$220 m. If one assumes general working and earning conditions in Hongkong during the next fiscal year to be equal to those experienced in 1949 Government may, by spending almost \$200 m. for the service of the Colony, still increase its already swollen revenue balance.

Following are details of the estimated expenditure for 1950/51:—

	\$
H.E. the Governor .....	230,285
Agriculture Department .....	793,135
Audit Department .....	229,023
Civil Aviation Department .....	1,136,379
Colonial Secretariat and Legislature .....	1,203,241
Department of Commerce and Industry .....	1,236,167
Co-operatives and Marketing .....	149,207
District Office, New Territories ..	383,208
Education Department .....	5,440,391
Fire Brigade .....	1,353,907
Fisheries Department .....	124,233
Forestry Department .....	410,230
Gardens Department .....	341,487
Hongkong Defence Force .....	1,752,351
Inland Revenue Department .....	889,555
Kowloon Canton Railway .....	5,007,031
Labour Department .....	291,119
Legal Department .....	657,443
Magistacies .....	245,507
Marine Department .....	6,147,332
Medical Department .....	12,670,776
Miscellaneous Services .....	37,521,500
Pensions .....	7,870,000
Police Force .....	15,553,762
Post Office, Broadcasting, and Telecommunications .....	5,561,634

Prisons Department .....	4,268,341
Public Debt .....	5,084,631
Public Relations Office .....	137,654
Public Works Department .....	5,434,363
Public Works Recurrent .....	17,033,000
Public Works Non-Recurrent .....	27,510,300
Rating and Valuation Department ..	212,259
Registrar General's Department ..	177,391
Royal Observatory .....	415,046
Sanitary Department and Urban Council .....	7,428,817
Secretariat for Chinese Affairs ..	1,111,503
Statistical Department .....	415,907
Stores Department .....	5,564,002
Subventions .....	14,172,300
Department of Supplies and Distribution .....	814,349
Supreme Court .....	427,003
Treasury .....	801,347
Colonial Development and Welfare Schemes .....	410,700
Custodian of Property .....	42,156
Quarantining Authority .....	204,199
Essential Services Corps .....	186,861
Total .....	199,051,037

## GENERAL REVIEW OF BUSINESS OF CHINESE EXCHANGE AND GOLD OPERATORS

(for the Lunar Year 1949-1950)

As annual balance sheets were drawn up by practically all the Chinese native banks and financial companies at the end of the Chinese Lunar year (Feb. 17) in Hongkong, it is possible to furnish some data relating to their conditions and results of operations. The reported profits or losses are estimates only though coming from reliable bankers.

United States Dollar Business last year—Licensed foreign exchange banks were in accordance with official regulations all out of the local free market while this line of prosperous business was freely transacted by about thirty Chinese native banks and com-



panies. With rates on the upward trend throughout the year, most operators enjoyed good profits, while merchants made large profits during the early part of the year when margins between buying and selling rates were very wide. Money exchangers enjoyed a prosperous year also in handling U.S.\$ drafts and notes, for overseas Chinese were using drafts (to a lesser extent notes) as remittances and Shanghai and other North China refugees were using notes to protect their wealth.

**Chinese Gold Yuan, Silver Certificates, and People's Dollar:**—All the Chinese currencies, Gold Yuan, Silver Certificates and People's Dollar were depreciating continually during the year, local operators suffered losses with only few profiting, for they could not get into an oversold position and thus were forced to suffer direct losses in rates. Furthermore, many of their China Branches or Agents suffered fines and punishments by the People's Government and the Kuomintang Government. Only one native bank failed in the Chinese money market last year; debts figured at over half a million Hongkong dollars. Money changers suffered minor losses only, for most of them refused to keep any stock of these depreciating currencies.

**Gold Business last year:**—Gold importers suffered heavy losses when gold took a jump in May; when their contracted gold imports were en route most importers sold to cover, and then had to pay the difference in prices after suspension of trading in the Exchange on 1st May. Importers also purchased at higher U.S.\$ rates, but were forced to sell at much lower U.S.\$ prices when trading resumed in the Exchange. Exporters made some profits, but they were largely set off by losses sustained from legal confiscations. Those operators hedging in Canton and Macao made good profits for what they lost in Canton was not fully paid but gains were fully paid out in Hongkong. Shanghai operators enjoyed some profit during the early part of the year but suffered heavier losses in the latter part, as practically all of them were overbought. One rich Shanghai landlord lost about six million Hongkong dollars. Shanghai-styled (bucket) gold operators were all making profits as their customers were on the wrong side most of the time. Local operators were satisfied with only small profits, but gold bar issuing banks and goldsmiths enjoyed good profits, one goldshop making over one million Hongkong dollars. Cantonese operators were mostly lucky as they usually were right in taking their positions both on the ups and downs. Swatow operators were losing with only a few banks earning.

#### Banks and Financial Companies' Business

**Hang Sang Bank:**—Operators of U.S.\$ exchanges and Chinese exchanges, importers and exporters of gold. Loss about three million dollars. **Wing Loong Bank:**—Operators of U.S.\$ exchanges and Chinese exchanges, importers of gold, exporters of silver.

Profit about \$850,000. **Tao Hang Bank:**—Operators of U.S.\$ exchanges and Chinese exchanges, importers of gold. Profit \$300,000. **Shun Hang Bank (Kan Kam Ching Co.):**—Operators of U.S.\$ exchanges and Chinese exchanges, importers of gold, exporters of silver. Profit about \$600,000.

**Lul Hing Hop Bank:**—Operators of US\$ exchanges and Chinese exchanges, importers of gold and platinum, exporters of silver. Profit about \$550,000. **Chan Man Fat Bank:**—Operators of US\$ exchanges and Chinese exchanges, exporters of gold and silver. Profit about \$250,000. **Chan Man Cheong Bank:**—Operators of US\$ exchanges and Chinese exchanges, exporters of gold. Profit about \$180,000.

**Tai Sang Bank:**—Operators of U.S.\$ exchanges and Chinese exchanges, importers of gold. Loss about \$450,000. **Ying Shun Bank:**—Operators of US\$ exchanges and Chinese exchanges, importers of gold. Loss about \$120,000. **Tak Cheong Bank:**—Gold bar issuing member of the Exchange. Profit \$1,050,000.

**Lai Hing Bank:**—Refiners of gold and exporters, operators of India and Singapore exchanges and Chinese exchanges. Profit \$400,000. **Po Sang Bank:**—Operators of US\$ exchanges, Chinese exchanges especially in People's Bank Dollars, importers of silver. Profit \$320,000. **Ming Hing:**—Shanghai-styled gold operators. Profit \$270,000.

**Chiu Tai Bank:**—Operators of US\$ exchanges and Chinese exchanges, importers of gold. Loss about \$110,000. **Kwong On Bank:**—Operators of US\$ exchanges and Chinese exchanges. Profit about \$80,000. **Sun On Bank:**—Operators of US\$ exchanges and Chinese exchanges. Loss about \$55,000. **Man Li Bank:**—Operators of US\$ exchanges and Chinese exchanges. Profit about \$40,000.

**Man Yick:**—Operators of US\$ exchanges and Chinese exchanges. Loss about \$25,000. **Cheuk Kee Bank:**—Operators of Chinese exchanges and gold. Profit about \$370,000. **The Asia Company (Messrs. Yau Wing):**—Operators of US\$ exchanges, Singapore and Chinese exchanges, and exporters of gold. Profit about \$85,000. **Wing Cheung Bank:**—Operators of Chinese exchanges and gold. Loss about \$20,000. **Wing Cheong (Chuen Kee):**—Money changers. Profit about \$140,000. **Tak Fatt:**—Operators in gold leading in the Cantonese group. Profit about \$1,300,000. **Kun Ming Bank:**—Operators of Chinese exchanges and gold. Profit about \$210,000. **Liu Chong Hing Bank:**—Investments in godowns and operators of Chinese exchanges. Profit about \$95,000.

**Wing Sing Loong Bank:**—Gold bar issuing member of the Exchange. Profit about \$200,000. **Kwai Kee Bank:**—Operators of Chinese exchanges and gold, gold bar issuing member of the Exchange. Profit about \$110,000. **Kwai Kee Bank:**—Operators of Chinese exchanges and gold. Loss about \$150,000. **Wing Tai Bank:**—Operators of US\$ exchanges and Chinese exchanges. Profit about \$25,000. **Wing Tak Bank:**—

Operators of US\$ exchanges and Chinese exchanges. Profit about \$10,000.

**Wing Ming Bank:**—Operators of Chinese exchanges and gold, exporters of gold. Profit about \$35,000. **Yau Hang Bank:**—Operators of US\$ exchanges and Chinese exchanges, also Shanghai styled gold operators. Profit about \$30,000. **Yau Tak Sing Kee:**—Operators of US\$ exchanges and Chinese exchanges, and gold exporters. Profit about \$75,000. **Yuen Yuen:**—Operators in gold prominent in the Shanghai group. Loss about \$1,800,000. **Cheung On (foreign control):**—Importers and operators of gold, now liquidated. Loss over one million dollars. **Tsun Fatt:**—Operators in Chinese exchanges and gold; failed. Loss over half a million dollars.

#### HONGKONG FREE MARKET

**GOLD:**—During the week Feb. 27—March 4 highest & lowest prices for .945 fine tael \$297¼ — 291½, equiv. to .99 fine tael \$311.40 — 305.77, or .99 fine oz troy \$258.78 — 254.11. Week's opening rate 293½, closing 294½.

Crossrates: US\$39.66 high, 39½ low. Macao rates per .99 fine tael HK\$ 312½ — 307¾. Rates followed Hongkong market developments but increased exports to Goa (Portuguese India) and improved outlook for exports to other markets where higher crossrates prevail stimulated speculative buying.

Canton, where black market operations are not rigidly suppressed and where the People's Bank through agents was believed to be selling bullion as brought down from Shanghai, quoted per .99 fine tael HK\$314—307. Large business was recorded at higher prices than seen for many months past. The Portuguese colony and Canton as also the other major gold markets in China quoted higher than Hongkong, a fact which stimulated local buying and hoarding.

Forward interest, in favor of sellers, totalled for the week 56cts, or almost 10% p.a. The money market turned easier last week which enabled larger forward contracts to be entered into.

Bears were undismayed pointing to the large stocks in the Colony's and Macao's native banks, dealers and financiers' holdings. Bulls on the other hand were encouraged by the export excess over imports, the resumed hoarding in China following nation-wide deterioration and stepped up aerial assaults by the KMT force, and an improved sentiment in world markets (New York approx. US\$ 40, Paris 42 to 43, Tangier 40 to 41, Milan 42 to 42½ per oz). Furthermore, the *la hausse* speculation interpreted the rise in South African gold mining share prices to increased demand for gold while, however, this price advance is attributable to heavier buying in the UK where it remains a form of capital flight which in times of political uneasiness is always observed.

An important bullish development may be the reported opening of a licensed gold forward market in



Singapore where similar trading conditions are legalised in Hongkong may be permitted; in that event more gold should find its way from here to Singapore as ready delivery stocks, even in a principally fictitious forward market, must be held apart from the fact that futures trading always stimulates some hoarding by investors.

Local forward market (mostly fictitious sales) turned over last week 212,000 taels of .945 fineness—both recorded inside the Exchange and in the curb market of native banks—giving a daily average of 35,000 taels. Positions left open approximated 138,000 taels per average day. Most active buyers were Hang Seng Bank (one of the leading gold dealers), Chan Man Fat Bank (leading exporter, member of the Swatow group) and Tak Shun; strongly overbought continued the Shanghai group headed by Lin Cheong and Man Shun native banks and gold dealers; the Cantonese group remained divided on both sides of the market with Tak Fat and Po Sang very active on their own and their important clients' accounts; the Swatow group on the whole was inactive; the interest hedging forward operators and the 'punti' (local) clique took, as usual, oversold positions.

In the cash bar sector of the market sales amounted to 41,000 taels (.945 fine).

Imports came from Taiwan only (6000 taels) and a trickle of North China gold arrivals was also noticed. Exports went to India (3000 taels), Bangkok (3000), Singapore (2500), Indochina (500 taels), a total of 9000 taels for the week under review.

Local ornamental consumption accounted for 2000 taels. About 30,000 taels (the rest of the cash bar sales) were taken up by investors and by interest hedging forward operators (who buy actual gold, store it in their homes or deposit it with banks and sell on the forward market every day the quantity which they possess but at the same time buying the whole lot back, thus earning the interest which is fixed daily at the Gold Exchange and which during the last months has always favored forward sellers).

Macao exports were considerable; in the past some airborne shipments to South East Asian ports were effected as Macao crossrates were below those in e.g. Rangoon or Bombay. The Portuguese and Macao-Chinese owned 'Macao Air Transport Co. Ltd.' effects, as previously imports when the China demand was high, now exports with its British officered flying boats. Exports to the colony of Goa have been made in the past and last week's consignment was estimated at 15,000 ozs. From Goa this bullion is smuggled into India where stringent import embargo makes direct imports impossible. As Indian market prices, particularly on account of heavy import duty levied on bullion, are much higher than local prices—difference about US\$8-10 per oz—the export from Macao to Goa is a most profitable enterprise. The agitation in India for the return of

Goa to India has received more stimulus from the recent increase of smuggling between the Portuguese colony and India. The local market has been intrigued by the possibilities of the Macao-Goa gold trade, finding new hope where China has disappointed.

Exports are effected from here and Macao in .99 fine bars as a result of doubts about the fineness of locally produced .945 fine bars and also the foreign customers' preference for .99 fineness. The fashion of trading in and making .945 fine bars started here on July 11 (following the revision by the local government of the gold trading and possession ban). Up to the end of last week a total of 730,000 taels of .945 fine were produced by local goldsmiths and were duly examined and passed by the Gold Exchange. Of this amount a quantity of 150,000 taels were exported during the period August 1949-February 1950 (either in the original form or in remelted .99 fine bars). The balance of about 580,000 taels remains to be held in Hongkong, shared to approx. equal parts by investors and by traders (i.e. banks holding gold for ready delivery, and interest hedging forward operators). In addition to the 580,000 taels of .945 fine there are undisclosed hoards of fine or .99 fine gold held by investors (local and recent immigrants from China). The stock position has recently declined as a result of a surplus of exports over imports.

The official price in Japan was raised from 385 to 410 yen per gram which would correspond to 1,275 yen per oz or at the official rate of 360 yen per US\$ to US\$35.41 per oz troy (at the average black market rate of US\$ in Tokyo of 500 yen the gold oz price would be only 25½ but, as everywhere else, gold has two prices and the unofficial or free or 'black market' one is the price which has interest for the public; that also holds true in Japan where gold is being bought and sold by investors and merchants, the latter using it often for payment of obligations incurred from imports which were not officially licensed).

#### Free Market Gold (.945 fine tael) and TT New York rates:—

	Gold		US\$	
February	high	low	high	low
27	293½	291½	652	649
28	294½	293¼	651	649¼
March 1	297	294	652½	650½
2	297½	293¾	652	651½
3	294¾	293½	652	651
4	294	293	651½	651

US\$:—Highest & lowest rates of last week, in HK\$:—US notes 650½-647½, drafts 650¼-647, TT 652½-649 (or US\$ 15½-15.41 per HK\$100). TT opened the week at 652, closed 651½. At sterling/HK\$ parity crossrates were US\$2.452-2.465, slightly lower than New York.

(Whenever local crossrates move 3 to 4% or more under overseas crossrates arbitrageurs balance the price for area account sterling in unofficial markets by transferring HK\$ to London,

directly or via some sterling area centre like Singapore, where European or US buyers of British manufactured goods are interested to acquire cheaper sterling. The local official TT London selling rate indicates often the trend in the arbitrage; if the lowest exchange peg, viz. 1/2-13/16 per HK\$, is reached financial operators assume that heavier than usual transfers to London are taking place which, to some extent, is accounted for by speculative transactions).

Japanese account US\$ declined last week, after having been up to HK\$8½, to approx. par with TT New York i.e. 6½. Increased export proceeds and stringent import licensing by the local Japan trade control (Dept. of Supplies & Distribution) provided exporters with a surplus of Japan account dollars for which buyers (importers of Japanese commodities) were not willing to pay more than was charged by the free US\$ market.

Sales last week totalled US\$2 million, a decline against recent weekly averages. TT New York accounted for US\$600,000, DD for 550,000 and US notes for 850,000. Sellers of TT were exporters of merchandise and a number of gold shippers who obtained, upon exporting to Bangkok and India, funds in New York. Buyers were importers and the agents of the People's Bank of China who acquired over US\$200,000.

Sellers of drafts were mostly recipients of overseas Chinese remittances; a considerable amount was offered coming from a backlog of Chinese New Year gifts as well as from hoardings of Chinese who now see that the rate is stable and that no further hedging is necessary.

In the US note sector of the market the majority of sales were accounted for by inter-bank business and by liquidations of Shanghai immigrants. These newcomers prefer to keep both US notes and US\$ accounts in certain local commercial and native banks, distrusting the stability of HK\$, but as their expenses have to be met in the local currency they regularly change part of their US\$ possessions. In view of the fact that the number of wealthy Shanghai immigrants is large and still on the increase, especially since the latest depredations of warfare in Shanghai, the importance of this group in the US note sector is considerable. The aggregate holdings of US notes in Hongkong are estimated at over US\$100 million.

Silver:—Prices of last week in HK\$:—per .99 fine tael 4.94-4.99, per local and Mexican dollar coin 3.13-3.15, per Chinese coin 3.15-3.17, per 5 pcs of 20 cts. coins 2.75-2.90. Price per fine oz about 4.11 or approx. US\$0.63.

Sales last week about 180,000 ozs (coins mostly). Estimated current stock: 400,000 ozs.

Prices show upward trend as exporters to the US are keen buyers while imports fizzle out; largest single sellers in the past 2/3 months was People's Government of China agent who in January and February brought into the Colony over 2 million ozs



## HONGKONG SILVER TRADE IN JANUARY, 1950

Silver (bars or ingots)					Silver coins				
Countries	Imports		Exports		Countries	Imports		Exports	
	Quantity	Value	Quantity	Value		Quantity	Value	Quantity	Value
	Ounces	\$	Ounces	\$		Ounces	\$	Ounces	\$
United Kingdom	—	—	3,027	10,897	United Kingdom	—	—	115,382	415,375
Macao .....	64,824	247,555	—	—	China, North ..	29,333	110,000	—	—
U. S. A. ....	—	—	837,994	3,414,600	"    South ..	194,713	547,629	—	—
					U. S. A. ....	—	—	689,628	2,995,490
Total .....	64,824	247,555	841,021	3,425,497	Total .....	224,046	657,629	805,010	3,410,865

which were, mostly taken up and then exported (the US being main customer) by native bank of Lui Hing Hop, silver and gold dealers of Kan Koam Ching & Co. and native bank firm of Wing Lung. Some exporters when shipping to the US are not interested in a profit on trade account but speculate in US\$ appreciation, treating silver exports to America like forward buying of TT New York. Most exports therefore went to the US although Government here requires the surrender of 25% of silver export proceeds. Shipments to London are small.

Imports from China incl. Hainan and Taiwan, direct or via the 'loophole' of Macao, were small last week but the market expects more supply from official Chinese sources; the new Chinese government has little use for silver which has been previously pumped into the country when the KMT regime's paper currency collapsed and resort had to be taken to metal coins and bullion. Much of this silver has been sold by the public to the People's Bank and old hoards, of merchants in particular, were also in the process of defrosting, thus swamping the People's Bank with silver in any form. Being short of foreign exchange, the new authorities find Hongkong a convenient market where to convert silver into TT New York or London.

Imports into Hongkong in January came all from China (incl. Macao) viz. 288,870 ozs valued at \$905,184; exports in January went practically all to the US with the UK taking a small lot (118,409 ozs, valued at \$426,272), total exports amounting to 1,646,031 ozs valued at \$6,836,362.

**Bank Note Market:**—Highest & lowest rates in HK\$—piastre forward 14½—13½, Indonesian guilder 25.60—24.60, Baht 28.40 (per 100 currency units).

Bank of England note 15.20—15.10 (against New York 10 USC. or 4% lower; local equiv. US\$2.32). Australia 13.45—13.30. Canada 5.68½—5.65. India 1.11—1.10½. Burma .91—.89, Ceylon 1. Malaya 1.81—1.80¼.

Philippine peso 2.64½—2.48½; the depreciation of the peso on the local free market amounts to 18½ to 23½% and the trend is now favoring the peso which seems to have been too badly undervalued following introduction of exchange control in Manila in December.

## FREE EXCHANGE &amp; GOLD MARKET RATES

Average Rates in the free markets of New York, Zurich and Tangier; in US\$.

Sterling	New York	Zurich	Tangier
Cash			
Payment	2.45-2.48	2.43	2.43
Residential			
Accounts	2.45-2.48	2.44	2.43
Government			
Bonds	1.66-1.76	1.68-1.72	—
Industrial			
Shares	1.85-1.92	1.85-1.90	—
So. African			
Mining	2.28-2.40	—	—
Transferable Account			
Sterling Bilateral			
Argentina	2.52-2.60	2.50-2.55	2.50-2.55
Italian	2.54-2.58	2.58-2.60	2.54-2.60
Swedish	2.53-2.60	2.50-2.55	2.50-2.60
T.A. Sterling Multilateral			
Brazilian	2.60-2.70	—	2.65-2.71
Dutch	2.54-2.60	2.58-2.62	2.55-2.60
Syrian	2.48-2.55	2.50-2.54	—
French Franc			
Cash			
Payment	385-395	385	392
Bank Check	390-400	392	400
Moroccan			
Acc.	395-405	—	399-402
Wire			
(Cash pay.)	655-667	664-668	—
Wire			
(blocked)	630-740	635-730	—
Guider			
(Cash pay.)	24.25-24.50	24.00	—
Guider			
(blocked)	21.80-22.00	22.50	—
Israel Pound	1.80-1.85	1.78	—
Argentine			
Peso	15.30-15.80	14.50	—
Brazilian			
Cruzireiro	29.00-30.00	29.50	30.00
Yugoslav.			
Dinar	300-400	350	—
Philippine			
Peso	38-39 ct.	—	—
Canadian			
Dollar	88.50-89.50	—	—
Gold rates			
Sovereign	—	11.75	12.25
Eagle	—	24-26	25-26½
Union Latine	—	59	60-62
Ounce fine	39-40	39-41	40¼-42
Transit			
Beyrouth oz	39-41	—	40-41½
Bangkok oz	38½-40	—	—

## Tangier Sterling Rates

The International Bank of Tangier reports the following dollar rates for Tangier and other sterling accounts for commercial purposes (in dollars per pound sterling):

£ Tangier account 2.63—2.65; £ French No. 1 account 2.53—2.58; £ Dutch account 2.50—2.55; £ Spanish account 2.50—2.56; £ Danish account 2.45—2.50; £ Brazil account 2.62—2.68; £ Egyptian account 2.45—2.55; £ Belgian account 2.73—2.78; £ Portuguese account 2.73—2.76; £ Turkish account 2.45—2.50; £ Argentine account 2.45—2.50.

## HONGKONG OFFICIAL SELLING RATES

Bank's selling rates (over the counter) per HK\$100 (except London, Australia and New Zealand per HK\$1) as in force at present:—TT London & New Zealand 1/2-13/16, Australia 1/6-3/4, Singapore 52%, India, Ceylon and Burma 82½, Pakistan 57, USA 17¼, Canada 18-15/16, Manila 34½, Batavia 65½, France 6025, Switzerland 75¼, US crossrate in London 279%-280¼.

## CHINESE EXCHANGE MARKETS

Hongkong exchange dealers quoted DD Canton at \$98.30 to 100.60 (per 100 in Canton), TT gold Shanghai 84¼-88, and US\$ Shanghai 90-92 (per 100 in Shanghai), TT Amoy at HK\$6¼ to 7 per US\$1. Swatow was nominal.

Business done amounted to:—Canton remittances HK\$115,000, Shanghai gold 1,400 taels, US\$22,000, Amoy US\$27,000.

Taiwan flight capital continues to come to Hongkong, rates last week for gold 79-81½, for US\$95-96; business done 3,600 taels of gold and a small amount of US\$.

Official exchange rates in China move very slowly and are not in tune with rising cost of living and the increase in PB\$ circulation. Inflation in China progresses and is openly admitted, government officials explaining that the state revenue is too low and that part of the deficit must be covered by increased note issue (the other part by the issue of bonds).

Inflation has been enormous but not on a scale as witnessed during KMT financial manipulations; still present fiscal policy in Peking is, from the people's point of view, unfavorable. Six months ago the official US\$ rate in Shanghai was PB\$2,800 to 3,000, by the beginning of March it stood at 29,000 officially, and around 32,000 unofficially; the appreciation of the US\$ on the official market during the last six months was tenfold or 1,000%.

Latest Shanghai rates of Bank of China are (in PB\$) for TT New York 29,000, US note 26,100, inward remittance of overseas Chinese 31,000 (black market rate 30 to 33,000); for TT London 70,000, pound note 42,000, overseas Chinese sterling remittance 82,150; for TT Hongkong 4,300, note 2,800, overseas Chinese remittance 4,733.

The question is asked in Shanghai why there is so great a difference between TT and note rates and why



remittances from overseas command a premium over TT rates. It is obvious that a policy of unrealistically low exchange rates is pursued by the government; recipients of overseas remittances obtain, on the whole, a rate which the black market would pay thus it is surmised in official circles more remittances will come to the state treasury. That this is a fallacy is proved by the large number of drafts sold in the local market coming from overseas Chinese.

A difference between TT and note rates is natural but what is being decreed in China amounts to an attempt of squeezing holders of notes out of their possessions at a fraction of the official price of the foreign currency concerned. In the case of quotations for TT Hongkong and the HK note the difference is grotesque.

Canton official rates remained unchanged (at 3,700 for TT Hongkong) while the rate for overseas remittances advanced to PB\$5,267 thus proving that the official policy is to penalise holders or earners of foreign exchange. The black market rate is approx. 5,500 and by allowing the above remittance rate of 5,267 the financial authorities admit that the purchasing power of a HK\$ is higher than 3,700 but still the rate is not adjusted. The new government, professing the protection of the interests of the people, is not proving it by adhering to the discredited financial policies of the KMT regime.

In the matter of gold buying the People's Bank or its authorised Bank of China proceed equally unrealistically. One fine oz is officially valued at PB\$620,000 and Victory bond subscribers when handing in their gold do not get more than this amount. In terms of officially quoted US\$ the gold price amounts to only US\$21.40. On the black market one oz sells at PB\$1.1 to 1.3 million or at a cross of US\$36 to 40. Gold holders are being badly treated by the government but the effect is only that they are driven to the black market unless they want to lose a large portion of their substance.

(On the official exchange markets of Shanghai crossrates were as follows: US\$2.41 per £, HK\$6.74 per US\$).

### HONGKONG OFFICIAL EXCHANGE RATES

Agreed merchant rates of Hongkong Exchange Banks Association as from February 23 :—

	Maximum Foreign Currency per HK\$	Selling HK\$ per Foreign Currency unit	Minimum Buying Foreign Currency per HK\$	HK\$ per Foreign Currency unit
London	1/2 13/16	16.202532	1/2 29/32 T.T. 1/2 15/16 O.D. 1/2 31/32 30 days. 1/3 1/32 60 & 90 days. 1/3 1/32 120 days.	16.100629 16.068946 16.033403 16. 15.966736
East & South Africa	1/2 13/16	16.202532	1/3 O.D. if under L/Credit 1/3 1/16 O.D. without L/Credit 1/32nd. up every 30 days	16. 15.933610
West Africa & West Indies	1/2 13/16	*16.202532	1/3 O.D. if under L/Credit 1/3 1/4 O.D. without L/Credit 1/32nd. up every 30 days.	15.802469 15.737705
India	82 1/4	1.2158055	83 1/4 T.T. 83 1/2 O.D. 83 5/8 7 & 30 days. 83 3/4 60 days. 83 7/8 90 days.	1.2012012 1.1976048 1.1958147 1.1940299 1.1922504
Aden	82 1/4	1.2158055	83 7/8 O.D. if under L/Credit 84 O.D. without L/Credit 84 1/2 30 & 60 days.	1.1922504 1.1904762 1.1894320
Burma	82 1/4	1.2158055	83 7/16 T.T. 83 11/16 O.D. 83 13/16 7 & 30 days. 83 15/16 60 days. 84 1/16 90 days.	1.1985019 1.1949216 1.1931395 1.1913626 1.1895911
Pakistan	57	1.7543860	57 11/16 T.T. 57 3/4 O.D. 57 7/8 30 & 60 days.	1.7334778 1.7316017 1.7278616
Malaya	52 5/8	1.9002375	53 1/8 T.T. & O.D. 53 1/4 30 days. 53 5/16 60 days.	1.8823529 1.8779343 1.8757327
New York	17 1/4	5.7971014	17 7/16 T.T. & O.D. 17 1/2 30 days. 17 9/16 60 & 90 days.	5.7347670 5.7142857 5.6939502
Canada	18 15/16	5.2805281	19 3/16 T.T. & O.D.	5.2117264
Australia	1/6 7/16	13.016949	1/6 3/4 T.T. 1/6 13/16 O.D.	12.800000 12.757475
New Zealand	1/2 13/16	16.202532	1/3 1/16 T.T. 1/3 1/8 O.D.	15.933610 15.867768

### Official and Free Market Exchange Rates

Banks' buying rates of foreign exchange; in HK\$ :—

	Monthly Average, 1949		Official Rates 3rd Jan. 1950	Open Market Rates 3rd Jan. 1950
	Official Rates	Open Market Rates		
London	1/2.27/32	1/3.39/64	1/2.13/16	1/3.29/32
Singapore	52.11/16	54.86	52 5/8	54.05
India	82.5/16	89.40	82 1/4	86.39
New York	20 1/4	17.69	17 1/4	15.38
Canada	23.7/16	19.56	18.15/16	17.98
Philippines	46	35.96	34 1/2	46.08
Indonesia	66-1/3	33.03	65 1/2	46.51
Thailand	nominal	39.21	nominal	36.36
Indochina		83.53		64.10
Paris	5.760	—	6.025	—
Zurich	98.89	—	75 1/4	—
Australia	1/6 3/4	1/6.17/32	1/6 3/4	1/6.57/64
New Zealand	1/2.13/16	1/5.13/32	1/2.13/16	1/6 3/4

### THAILAND EXCHANGE CONTROL

Improved economic conditions in Thailand have made it possible to reduce controls to a minimum. Even Hongkong, so proud of its relative absence of controls over trade and financial transactions, is left behind by Thailand. As from January 1, tin exports and rice exports were freed from the surrender or partial surrender requirement. The Siamese Finance Minister P. Pibulsonggram has progressively cut down on exchange controls until now virtually all export proceeds can be retained by shippers. With very few exceptions, all trade is financed on the open market where rates have been very firm for the baht which currency is slowly becoming one of the desirable objects of hoarding by foreigners.

The official cover rate in Bangkok for trade with Japan remains, as before, at 20 baht per US\$1 (Japan account).



## Hongkong Stock & Share Market

The share market continues in the doldrums and, to quote a broker, the less is said the better. Some business passes every week which does not suffice to keep the brokers alive. Clients are now inured to the stagnation and many holders no longer follow developments at the Exchange being content to look into the price list once a month and finding no change—if they are lucky. Speculative interest is, of course, entirely absent. If it were not for a few jobbers the weekly turnover figure would be still smaller.

The position as regards yields has not changed which means that prices on the whole have not moved and if they did the result was a matter of regret for investors. It is significant for the market outlook that not a few share brokers have taken to the pursuit of other jobs while the daily attendance at the morning and afternoon sessions shows dwindling numbers. That this must be said in the dividend season when almost every company reports good working results and optimism is emanating from assorted chairmen's speeches reflects the dullness of the local market, the lack of public interest and the uncertain outlook for investors of the conservative type.

There is always a balance of sellers over buyers even at current rates which may indicate money tightness on the part of some holders but, seeing that most of the hard-pressed importers and dealers have some time ago liquidated and many small investors, who do not require any cash, figure always among ready sellers, the truth of the situation seems to be found elsewhere. First, many investors having lost substantially and despairing to get the full value back are prepared to rid themselves of the scrip which only reminds them of their bad fortune, and they seek to make up for the loss sustained by employing the proceeds of their share sales in other investment or speculation. Second, while average returns of industrials exceed 10% at current prices the actual yield for investors who have bought at much higher rates is probably only between 5 and 6%; as there appears to be no prospect for a change in the sentiment and the undertone of the market is rather easy a solution to the problem of what to do with the 'frozen' money is to re-employ it after 'defrosting' in some better venture. Every share holder other than the ultra-conservatives who perceives some chance for more profitable and less tiresome investment elsewhere gets out of the market. There are still many openings for profitable investment where risks of depreciation of the capital are less than at the local share market.

The Stock Exchange Committee summarised last week's business developments in its customary cheerless tone as follows:—

The past week has been disappointing. Companies continued to declare good dividends, but the Market takes little effective notice, and the business passing has been small and rates are barely maintained. Government Loans, available at discount, possibly points to money being tight. This may be affecting the Market as political conditions, outwardly, are the same as they have been for some while.

The following dividends and Bonuses for 1949 were announced during the week:—China Providents, Dividend 75c and Bonus 75c, both free of tax. A. S. Watson & Co., Dividend \$5, free of tax, Bonus of 1 New share for every 2 Old.

Business reported during the week: \$1,225,769.

Business done during last week:—

	High	Low	Sales
H.K. Govt. 3½% Loan (1948) .....	98	98	\$13,000
Union Insurance .....	625	615	107
H.K. Fire Insurance .....	215	215	25
Asia Navigation .....	92½	92½	2,500
C. Providents .....	—	—	100
Shanghai Docks .....	5.10	5.10	3,600
Wheelock Marden .....	27½	27½	300
H.K. & S. Hotels .....	11	11	1,000
H.K. Lands .....	49½	49	509
H.K. Tramways .....	15	14½	7,700
Star Ferry .....	92	92	300
China Light (O) .....	11½	11.20	3,030
do (N) .....	8.40	8.20	3,000
H.K. Electrics .....	30	29	1,919
Telephones .....	17	17	400
Cements .....	26½	26½	500
Dairy Farms .....	41	41	200
Watson .....	49¾	48½	13,900
Lane Crawfords .....	—	—	500
China Emporium .....	10.40	10.40	1,000
Kwong Sang Hong .....	—	—	10
China Entertainment .....	17½	17½	500
Vibro Piling .....	14¼	14	1,035
Ewo Cotton .....	4	4	5,600
Shanghai Malay .....	10	10	583
Tanah Merah .....	.60	.55	6,250
Rubber Trust .....	2¾	2¾	663
Bute Plantation .....	.50	.50	1,000
Ziangbe .....	.50	.50	1,900



## Investment of Foreign Capital in Japan

### I. The need for the importation of foreign capital.

Through both material and spiritual assistance from the United States and also strenuous efforts on the part of the Japanese people in response to such assistance, the Japanese economy has witnessed rapid rehabilitation from the heavy destruction suffered during the last war. A ray of hope for the future has now appeared on the horizon. The national budget has been balanced, financial measures for checking inflation have been tightened and industrial production has regained its pre-war level. Furthermore, with the transfer of import and export trade to private hands and the conclusion of numerous trade agreements with other countries, much is expected in the way of expansion of export trade and favorable terms in import trade. In order that the Japanese economy as an integral part of the world economy may contribute to the world's well-being, the various gaps that have arisen as the result of the containment of Japanese economy as a blockaded economy during the wartime must be filled up as quickly as possible. For this purpose, it is necessary to modernize the facilities of the various industries and to introduce new technical know-how from abroad. Further, it is necessary to import raw materials and develop the power resources of the country. When these essentials are satisfactorily carried out, Japan should be able to regain her past position as the workshop of the Orient and thereby contribute to the world economy. Herein lies the reason for Japan's desire to import foreign capital. The need for self-rehabilitation is fully realized, but the destruction of the Japanese economy in the last war has been of such magnitude as to make its recovery by its own strength alone impossible. A helping hand from abroad at this time should enable Japan to recover her economy earlier.

### II. Procedures for the importation of foreign capital.

#### A. Policy for the importation of foreign capital.

Recognizing the afore-mentioned requirements of the Japanese economy, the General Headquarters for SCAP issued to the Japanese Government on January 14, 1949 a memorandum, subject: Business Activities of Non-Japanese in Japan, and also Circular 1, subject: Private Commercial Entrants, and Circular 2, subject: Foreign Business and Investment Activities in Japan.

According to the policy and standards prescribed in the above-cited memorandum, foreign business and investment activities, in Japan must conform with the following requirements: They must (1) "further Japanese economic rehabilitation," (2) "result in foreign exchange accruals to Japan," (3) "decrease foreign exchange expenditure," (4) "otherwise further Occupation objectives as communicated to the Japanese Government."

Following are the procedures for obtaining permission for (1) entry of private commercial entrants, (2) engaging in business and investment activities and (3) acquisition of property interests or rights.

#### B. Permission for entry of foreign commercial entrants.

Circular 1 dated January 14, 1949, subject: Private Commercial Entrants, stipulated in detail the purposes of entry and the status of the entrants after their entry, etc. By this circular, the door was opened for the entry of foreigners into Japan.

The following should be the purposes of entry of such commercial entrants and those who have such purposes are required to file applications with the General Headquarters, SCAP: 1. Engaging in private trade. 2. Providing services necessary and attendant to international trade. 3. Seeking restitution of holdings in Japan prior to the war, the restitution of which would contribute to the economic rehabilitation of Japan. 4. Investigating business and investment possibilities which would contribute to the economic rehabilitation of Japan. 5. Conducting business and investment activities in conformity with applicable SCAP regulations and Japanese law.

#### C. Permission for engaging in business and investment activities in Japan.

According to Circular 2 dated January 14, 1949, subject: Foreign Business and Investment Activities in Japan, non-Japanese nationals who have been permitted entry by SCAP for the purpose of establishing permanent residence in Japan and firms wholly owned or controlled by them are permitted to engage in business transactions in Japan on a non-discriminatory basis with Japanese nationals, except in certain respects. Likewise, Allied and neutral nationals or firms who are entitled to claim restoration or restitution of properties or contract rights held prior to December 7, 1941 are permitted to resume their pre-war business activities in Japan on a non-discriminatory basis with Japanese nationals, except in certain respects.

Up to October 20, 1949 application for permission to engage in business and investment activities were submitted to and validated by the Foreign Investment Board, Economic & Scientific Section, GHQ, SCAP. From October 21, 1949 onward, however, the right to receive and approve or disapprove, after obtaining concurrence of SCAP, applications for permission to engage in such activities was transferred to the Foreign Investment Committee of the Japanese Government. Moreover, the scope of the business requiring permission was limited to banking, insurance, communications, transportation, public utilities, professional services, or other business as hereafter may be designated. Thus the restrictions against the business activities of non-Japanese nationals were greatly liberalized.

### D. Procedures for the acquisition of properties by non-Japanese nationals or firms.

When non-Japanese nationals and foreign-controlled firms permitted to engage in business and investment activities wish to acquire title to stocks and shares, or an interest in the profits of an enterprise, title to lands, residences and buildings, plants and appurtenances, mining rights, mortgages, patents, and rights to a whole or a proportion of the quantity of output or sales of enterprise or rights to a certain proportion of the value of output, sales or other receipts of an enterprise, they are required to obtain approval of the Japanese Government. In order to establish necessary provisions relating to the processing of applications for approval, the Japanese Government promulgated on March 15, 1949 Cabinet Order No. 51: Cabinet Order concerning the Acquisition of Properties and/or Rights by Foreign Nationals. Under this Cabinet Order, foreign nationals desiring to acquire the above specified properties and rights are required to obtain approval of the Foreign Investment Committee established pursuant to the Order. The standards for approval by the Foreign Investment Committee of applications for permission to engage in business and investment activities in Japan require that such activities conform with or contribute to the following purposes:

1. Stimulate the restoration of sound economic relationships between Japan and foreign countries.
2. Promote the economic rehabilitation of Japan on a self-supporting basis.
3. Conserve the national resources of Japan.

### III. The present state of the importation of foreign capital

In the foregoing section were set forth the standards and procedures for the importation of foreign capital. As some eight months have already elapsed since the organization of the machinery for facilitating the importation of foreign capital into Japan by the establishment of the Foreign Investment Committee, it may be appropriate at this time to inquire into the results achieved up to the present time.

According to the report on applications processed by the Foreign Investment Committee (announced on November 1, 1949), the number of applications processed up to the end of October 1949 was as follows:

Kind of activities	No. of applications processed	No. of applications approved or recommended for approval
1. Business activities	312	301 (See Note)
2. Acquisition of properties	229	121

Note: In the case of applications on business activities, the Foreign Investment Committee had until October 20, 1949 no power of giving direct approval. It simply recommended approval or disapproval of the applications referred to it by General Headquarters, SCAP.



The foregoing general classification of business and investment activities may be further divided as follows:

#### 1. Business activities by foreign nationals

Kind of business activities	No. of applications processed	No. of applications recommended for approval
(1) Commodity sales business in foreign currencies .....	78	76
(2) Services in foreign currencies .....	14	14
(3) Ship chandlers business in foreign currencies .....	5	5
(4) Building renting business in foreign currencies .....	5	5
(5) Restaurant business in foreign currencies .....	5	0
(6) Shipping agencies .....	24	23
(7) Banker and insurance .....	11	11
(8) Attorneys, etc. ....	44	44
(9) Publications, etc. ....	81	81
(10) General foreign trade .....	8	8
(11) Others .....	37	34
Total .....	312	301

#### 2. Acquisition of properties by foreign nationals

Kind of property to be acquired	No. of applications processed	No. of applications approved
(1) Stocks:		
(a) Simple stock investments .....	128	62
(b) Stock investments for the purpose of business affiliation .....	23	8
(c) Contracts for the acquisition of stocks .....	2	0
Sub-total .....	153	70
(2) Immovables .....	58	42
(3) Leasehold and mortgages .....	4	4
(4) Japanese patents .....	10	5
(5) Royalties, etc. ....	14	0
Total .....	229	121

However, examination of the nature of these applications shows that only a small number involve business affiliations, the scales of which are very small. Only the following cases of business affiliations are of considerable significance to the Japanese economy:

##### (a) Affiliations in oil between:

- (1) The Caltex Co. and the Nippon Sekiyu K.K.
- (2) The Standard-Vacuum Oil Co. and the Toa Nenryo Kogyo K.K.
- (3) The Tidewater Associated Oil Co. and the Mitsubishi Sekiyu K.K.

##### (b) Affiliations in shipbuilding between:

- (1) Sulzer Bros., Ltd. (of Winterthur, Switzerland) and the Mitsubishi Jukogyo K.K.
- (2) Sulzer Bros., Ltd. and the Harima Zosenjo.

##### (c) Affiliations in chemical manufacturing between:

- (1) The American Chemical Paint Co. and the Nissan Kagaku K.K.
- (2) The American Chemical Paint Co. and the Ishiware Sangyo K.K.

##### (d) Miscellaneous affiliation between:

- (1) The General Railway Signal Co. and the Nippon Shingoki K.K.

#### IV. Impediments to the Importation of foreign capital into Japan

As described above, there have been as yet only a very small number of cases of the importation of foreign private capital into Japan. What are the reasons for this slow progress so far? Among the domestic factors cited

## COMMERCIAL MARKETS

### German Goods in Hongkong

Trade with Germany, both zones, has been growing as Hongkong merchants secured good profits from selling German commodities to China and other Far Eastern customers and when shipping China produce to Germany they obtained previously US\$ while now in most cases sterling is offered. Especially German optical and pharmaceutical goods have found, as before the war, a very appreciative clientele and prices obtained by importers and dealers of cameras as well as patented medicines are far better than similar goods from other sources.

There is still a good deal of customers' prejudice in favour of German cameras which command a considerable premium over cameras of the same quality, often even of better finish and higher lens aperture as well as provided with more gadgets (like flashlights), imported from the US, Britain, Japan. The optical trade and

experienced customers are aware of the unwarranted height in prices for German cameras as well as photo equipment but as long as the Chinese buyer, out of habit or ignorance, is prepared to pay more for German than for other imported goods nothing can be done about it.

In the case of German medicines which had prewar a good reputation in China the difference in prices between them and other countries' equally good or even superior medicines is most surprising. E.g. certain best-selling hormone products formerly known and appreciated by Chinese buyers by their brand and the name of the manufacturer in Germany are again on the market and command high prices. However as a result of the defeat of Germany many patented German goods of the prewar era are now manufactured in Britain, America and other allied countries and are distributed also in Hongkong (for re-export to Far Eastern countries). Consequently there appear on the market patent medicines of the same name, the same chemical formula, indeed complete identity, but arriving here from Germany, Britain and the US. In every case, the medicines of German origin sell at a premium over British and American ones although the packing of the German cargo is inferior.

Here is proved a clear case of persevering bias of the Chinese customer in favour of goods the brand of which as well as the country of origin have won, no doubt after many years of testing, implicit confidence. It pays to establish and maintain a good reputation—and in this case the human memory lasts long.

### Trade in Human Cargo

Hongkong has some time ago clamped down on unrestricted Chinese immigration from Taiwan and Hainan keeping however the free immigration of Chinese when coming from the mainland or from Macao unimpeded. As Hainan and Taiwan are under KMT government while the mainland is controlled by the Peking government the opinion, in Chinese quarters, has gained much force that the restriction of immigration from the two islands—one being undisputedly Chinese territory while one may argue about the legal position of Taiwan, especially in the light of political changes in China—is an unfriendly act by the Hongkong authorities. However that be the fact is that Chinese travellers and traders when coming from the two islands experience often difficulties and at least delays when applying for the issue of entry visas, their luckier brethren from the mainland and from Macao being exempt from this formality. In many cases traders, not intending to immigrate and reside here, found it impossible to obtain an entry permit and as they were anxious to maintain or open business connections, — between Hong-



kong and Taiwan in most cases, Hainan being of lesser commercial importance—they had to find new ways to obviate the local immigration control.

This was successfully achieved although at considerable extra expense for travellers, traders and immigrants. The geographic position of the Colony is such that effective immigration control could only be observed if and when a large force of immigration officers were put on the job; the fact is that even for ordinary immigration duties which include only non-Chinese persons the immigration office here is not adequately staffed—evidence for this being found in the constant delays and postponements experienced by the travelling non-Chinese public when visiting the immigration office. It is practically impossible to enforce the control over Hainanese and Taiwanese who have in the recent past entered the Colony mostly in junks and other native craft without official knowledge. Apart from some Chinese from the two islands making their way first to communist-controlled Kwangtung prior to entering Hongkong, the loophole of Macao once again proved of the greatest value—both to prospective Hongkong immigrants and to certain individuals in Macao who are always on the look-out for adventitious revenue. For a certain amount in patacas, payable however in any currency including the People's Bank yuan, travellers from Hainan were allowed to land at Macao and from there no difficulty was put in their way to enter Hongkong.

The latest development, promising much bigger business, is the opening of direct ocean communications between Taiwan and Macao. The Portuguese colony, possessing only a shallow river port and unable to accommodate ocean ships, is dependent for its foreign trade on the facilities of Hongkong but in special cases, where Hongkong is making difficulties to merchants, financiers and immigrants (as in the present case), ocean steamers anchor rather far outside the Macao harbour and discharge or load whatever cargo or passengers make up the business. The number of Chinese passengers arriving from Macao in Hongkong should now show increases over previous figures as not only the natives of Chungshan and other neighbouring districts of Macao avail themselves of the many vessels connecting the two colonies but Chinese from Taiwan and Hainan will reinforce the traffic. Shipping companies on the Macao run have every reason to be satisfied to profit from this fortuitous increase in human cargo and collectors of permit and miscellaneous fees in Macao should enjoy their lives with more vinho finto and chourico.

#### Hongkong's Imports & Exports by Air

Imports in January valued \$6,658,172, a weight of 14,475 kgs., compared with last December of \$19,123,743 and 176,354 kgs., and with the 1949 monthly average of \$11,340,932 and 152,284 kgs. Most imports in January, as usual,

came from Switzerland (\$4,527,961, or 3,311 kgs.) and from the US (\$1,248,077 or 3,872 kgs.), followed by UK imports (\$324,590, or 1793 kgs.).

Exports in January valued \$4,385,174, a weight of 35,150 kgs., against in December \$3,266,884 and 37,131 kgs., and a 1949 monthly average of \$14,031,049 and 135,855 kgs. Most exports are flown to Malaya (\$2,813,790, or 2629 kgs.) to Pakistan, to Formosa, to the US and Thailand.

#### China's Tung Oil Exports

China's production of tung oil in 1949-50 is estimated at 100,000 metric tons, a decline from the 115,000 tons produced in 1948-49, which was the highest quantity since prewar years. The exportable surplus is 65,000 to 70,000 tons which, together with the unmarketed portion of last season's output, could enable exports in 1949-50 to equal the peak shipments of 85,000 in 1947-48 if marketing conditions were normal. It is doubtful that exports will reach 50,000 tons in the current season, because of the acute shortage of river transportation and the effects of the blockade. The total amount that has arrived in Shanghai since the Communists took over the city is estimated at 1,500 tons, and present stocks are not more than 200 tons.

The tendency toward increasing exports to the U.S.S.R. may reduce the availability of tung oil to other destinations. Normally, the United States is the principal market for Chinese tung oil, taking about 75 per cent of prewar exports. From May through October 1949, 1,094 metric tons, or 69 per cent of total exports of only 1,580 metric tons, were sent to the U.S.S.R.; in 1946-47, Soviet Russia took some 1,319 tons and in 1947-48, 3,042 tons.

#### Iron-Ore Deposits of China

The vast iron-ore deposits of China, along with the country's other mineral wealth have been immobilized and seemingly allowed to remain dormant since the inception of the present civil conflict in 1946. The extent to which these resources, estimated at 1,136,000,000 tons in China Proper, with an additional 3,000,000,000 tons in Manchuria, are now being or will be exploited in the future is not known.

Current production data for iron ore in China are not available. Annual production in Central and North China and on Hainan Island averaged 2,780,000 metric tons for the period 1940-44, and Manchurian production in the same period averaged 4,330,000 tons. Although it is known that production in the central and northern Provinces came to a practical standstill after 1944, no information on the extent of rehabilitation of the Manchurian deposits is at hand.

Ore deposits occur all along the Yangtze River Valley, but the three major producing areas are the Tayeh deposits in Hupeh Province, the deposits near Tientsin in the Shantung Province, and the Penhsihu deposits in Manchuria. In addition, there are extensive deposits on Hainan Island off

the south coast of China. All of this ore, except that of Hainan, is in Communist-dominated territory.

In general the deposits of Central and North China are poorly located in relation to coking coal. The deposits of Tayeh and those in the vicinity of Tientsin have been the largest producers, but the largest single deposit from the point of view of reserves is on Hainan Island. Deposits in Western China have not been exploited to any degree, nor are they likely to be for some time because of their remote location and the lack of coal. One-half to two-thirds of China's iron-ore production before World War II was exported, almost exclusively to Japan.

Manchurian deposits are of low-grade ores requiring beneficiation. Coking coal is in close proximity to the deposits and gives them an advantage over other Chinese ores. Prior to World War II, Manchurian ore, because of its low iron content, was converted to pig iron in local plants built by the Japanese. About one-half of the production was sent to Japan, the rest being processed in local steel plants.

#### Tungsten Production in Korea

Production of tungsten at the Sangdong mine in southern Korea, one of the world's largest deposits, showed an upward trend in 1949. Plans have been made by ECA to replace the existing recovery facilities with modern equipment; this would permit an increase of about 100 percent in production. Tungsten is southern Korea's leading export mineral, and the anticipated increase would provide more than US\$2,000,000 additional foreign exchange annually.

Postwar tungsten production in Korea started in May 1947. During that year output was 373.1 metric tons (WO3 content), rising to 746.6 tons in 1948. Production continued to increase, reaching a postwar peak of 95.4 tons of WO3 in May 1949. During the first 8 months of 1949 Korea's output totalled 568.3 metric tons.

Exports of tungsten ores and concentrates in the first 9 months of 1949 were reported to be: 50 tons of concentrates, valued at US\$53,600 and 524.9 tons of scheelite and wolframite ores (gross weight), valued at \$827,345. All exports were made to the United States, except 9 tons of scheelite to the Netherlands and 13.4 tons of scheelite to an unidentified destination.

#### Taiwan Paper Industry

The Taiwan authorities, in order to protect their paper industry have imposed restrictions upon imports of newsprint into the island, even by merchants who have provided their own exchange. This has caused some gloom in the ranks of paper merchants, as Taiwan used to be regularly in the market for this commodity. However, the action of the authorities is not really surprising as the Taipei Paper Factory, with a monthly capacity of 2,000 tons and utilising sugar cane pulp, is able to provide for the requirements of the population in this respect.



**Rubber Production & Consumption**

World production of natural and synthetic rubber in 1949 totalled 1,922,500 long tons, and world consumption 1,875,000 tons. These figures represent declines from 1948, when production and consumption set records 2,052,000 tons and 1,900,000 tons, respectively.

Natural rubber production dropped from 1,520,000 tons in 1948 to 1,482,500 tons in 1949. The main decline was in Malaya, where production fell 28,000 tons to about 670,000 tons, chiefly because of reduced output by small holders. Total exports from Indonesia declined only 10,000 tons, to 422,000 tons, but exports of Indonesian native rubber were reduced by 67,000 tons, to 264,000 tons.

Consumption of natural rubber in 1949 set a new record of 1,427,500 tons, up 7,500 tons from 1948. Estimated imports into Russia increased from 100,000 tons to 105,000 tons, and other consumption rose sharply from 692,500 tons to 746,000 tons. U.S. consumption fell from 627,500 tons in 1948 to 576,500 tons in 1949.

Production of synthetic rubber, excluding Russia, declined from 532,000 tons in 1948 to 440,000 tons in 1949, and was closely in line with consumption which, again excluding Russia, declined from 480,000 tons to 447,500 tons.

Stocks of natural rubber, excluding Russian stocks, and strategic stocks in the United States, the United Kingdom, and France, were estimated at 757,500 tons at the end of 1949, compared with 755,000 tons a year earlier. End-of-1949 synthetic stocks were estimated at 110,000 tons, down 15,000 tons from the previous year.

Recent import data are summarized below (all of high quality):—

Commodity and Country of Origin	1949	
	1948 Cu. m.	Jan. June BMF
Lauan logs		
Philippine Republic	3,742	4,553,701
Br. North Borneo	1,782	—
Teak fitches		cu. ft.
Siam	—	5,546
Teak squares		
Siam	—	59,273
Veneer logs		BMF
Philippine Republic	—	376,643
Lignum Vitae logs		m. tons
Dominican Republic	—	66

The plywood industry is probably the largest Japanese consumer of imported hardwoods. This industry utilizes most of the lauan imported. Lauan is used also in plywood tea chests, shipbuilding, spinning mill machinery, and furniture. Mahogany is utilized in shipbuilding and in the manufacture of furniture. Teak lumber is used for a wide variety of purposes, including shipbuilding, rolling stock, plywood, furniture and novelty merchandise. Lignum vitae is used for ship bearings. Although information as to exact specifications or grades used for each purpose is not available, all hardwoods imported are of high quality.

Principal Japanese hardwood species include oak, birch, beech, ash, and sen (a type of ash). Except in the case of Lignum vitae which has a very specialized use, Japanese hardwoods can be substituted for the imported woods. Generally the domestic woods are used unless the product is for export and the order specifies that imported hardwoods be used.

vitae logs, No. 1 Grade U.S. Navy Specifications Top diameter 6"—8" up x length 5' and up. \$180.00 per long ton CIF Japan, October 1948.

Japan is an exporter of hardwood lumber and products, and, generally speaking, imports only those species and grades not available domestically which are required to fill export orders.

**Rice from Thailand**

According to the Thai Minister of Commerce, 100,000 tons of rice were shipped from Thailand during January to 13 countries in the Far East and Europe; 1,000 tons of glutinous rice were also despatched to Singapore.

Under the recent overall agreement between Great Britain and Thailand, 460,000 tons of rice will be purchased for Britain and the British areas in South-East Asia at a price of £40 per ton, which will bring Thailand an estimated £19 million in foreign exchange. Under separate agreements to be made in connection with the overall agreement by the United Kingdom, Malaya, Singapore, Hongkong, Sarawak and North Borneo, the following allocations of rice will be made: Malaya 220,000 tons, Singapore 80,000 t., Hongkong 120,000 t., Britain 25,000 t., Sarawak 13,000 t. and North Borneo 6,000 t.

Total rice exports from Thailand for 1950 are estimated to reach 1.2 million tons, which will include 300,000 t. to Japan and 100,000 t. to the Philippine Is.

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**HONGKONG COMMODITY MARKETS****Cotton Piece Goods & Cotton Yarn**

The cotton piece goods market continued dull during the week and few transactions took place. Around 400 bales of Japanese piece goods (mostly grey sheetings) arrived from Singapore, where they had been imported under the trade agreement between Great Britain and Japan. Local rubber shoe makers were purchasing grey sheeting for the execution of large orders for rubber shoes received from Great Britain, the Japanese make being found suitable for the purpose and the price being lower than that of the Shanghai grey sheeting. Shanghai grey sheeting was offered at \$47 per piece, while the Japanese 2,023 which at the commencement of the week was quoted at \$44 per piece fell to \$43 and \$43.50 per piece. Prices as a whole showed a lower tendency: Bellman grey sheeting fell to \$45 per piece, Fair Eagle and Fancy Butterfly to \$46.50 each, Mammoth Bird to \$47 and Flying Goose to \$44 per piece; in drills, Flying Goose dropped to \$44.50, Wing Tze to \$45 and Five Lambs to \$44 per piece, while Indian 14 lbs. sold at \$41; in black cloth, Bat & Tripod 24 yds. fetched \$59 and Golden Cup fell to \$54; in white cloth, Nan Cheong sold at \$47 per piece, while Indian quality fetched \$40 per piece; Japanese Dai Tze red cloth sold for \$64 per piece; and Indian pongee shirting for \$1.90 per yard.

*Estimated World Production and Consumption of Natural Rubber — 1946-49.*  
(In 1,000 long tons)

Year	Production			U.S.	Consumption		
	Malaya	Other	Total		U.K.	Other <sup>1</sup>	Total
1946	403.7	433.8	837.5	277.6	96.6	180.8	555.0
1947	646.4	613.6	1,260.0	562.7	153.6	393.7	1,110.0
1948	698.2	821.8	1,520.0	627.3	193.7	599.0	1,420.0
1949	670.3	812.2	1,482.5	576.6	181.0	669.9	1,427.5

*Estimated World Stocks of Natural Rubber — End of 1948 and 1949.*  
(In 1,000 long tons)

Year	Producing countries		Afloat	Consuming countries <sup>2</sup>		Grand Total
	Malaya	Other		U.S.	Other	
1948	138.6	91.4	235.0	141.5	148.5	755.5
1949	123.3	101.1	267.5	105.0	160.0	757.5

<sup>1</sup> Including imports into Russia, but no rubber of Russian origin.

<sup>2</sup> Excluding Russian stocks, and Government stocks in the United States, the United Kingdom, and France.

**Japanese Hardwood & Lumber Situation**

Japanese imports of hardwoods consist chiefly of lauan logs from the Philippine Republic and teak lumber from Far Eastern sources, with smaller quantities of mahogany lumber and lignum vitae logs from other sources.

Prices for selected items with date of quotation follow:

(1) Lauan logs (peeler) No. 1 and 2 Export Grade US\$45.00 per thousand feet board measure. Brereton Scale CIF Japan, current price. (2) Mahogany lumber First and Second Grade 1" x 6" average up x 8" up—\$390.00 per thousand feet board measure—CIF Japan, April 1949. (3) Teak square 18" up x 18" up x 15' up, average 45 cubic feet, \$5.60 per cubic foot—CIF Japan, current price. (4) Lignum



**Cotton yarn** dealers are facing a period of depression. In order to protect the local industry, the authorities in Canton have restricted importations of cotton yarn by obligating importers of over 50 bales to sell to them 30% of the cargo at the official price, paid in People's notes. This is having a deterrent effect upon merchants, especially as the price in Canton is not high enough to make the transaction profitable after payment of transportation and other charges as well as the high import duty of 35%. This also applies to dealings with Swatow and other ports. Prices in the Hongkong market showed a rising tendency during the week: in 10's, Flying Elephant rose to \$745 and Peacock to \$675 per bale, although Camel fell to \$800 and Double Lion to \$750 per bale; in 20's, Flying Tiger rose to \$1,160, Golden Pagoda to \$1,130, Golden Star to \$1,160 per bale, Junk to \$1,150 and Water Moon to \$1,200 per bale, whereas Golden City fell to \$1,240, Golden Cow to \$975, Lake to \$1,200 and Red Lee to \$1,120 per bale; in 32's, Camel's rose to \$1,400, Fairy Peach to \$1,330, Flying Tiger to \$1,320, Golden City to \$1,350 and Yacht to \$1,400 per bale.

#### Raw Cotton

The semi-official Southern Area Trading Corporation as well as Canton dealers were in the market for raw cotton to supplement the requirements of the Canton cotton mills; in other respects, however, the market was dull and prices showed a fall: Pakistan 49/50 NT roller gin was offered at \$1.94 per lb., LSS roller gin fetched \$1.95, 4F roller gin was sold at \$1.88; US raw cotton 1" was offered at \$2.05 per lb.

#### Metals

With slackened demands for mild steel plates, the price on the local market fell further: 4 x 8' 1/32" stood at \$68 per picul, 1/16" fell to \$49, 3/32" and 1/8" stood at \$48, 3/16", 1/4" and 3/8" were offered at \$41, 1/2" and 5/8" being short of stock were offered at the higher price of \$45. Galv'd. mild steel sheets also suffered from lack of demand and falling prices: Japanese 3 x 7' G30 were offered at \$7.80 each but sales were effected at \$7.70, and 3 x 6' fell to \$6.60 and \$6.55 each; Belgian 3 x 7' were offered at the lower price of \$7.80 each. Mild steel round bars found a weak market, recent arrivals of 40' lengths creating no interest. Lower prices were the rule: 40' round bars sold at \$36 per picul for 1/4" and 5/16", 3/8" were offered at \$33 and 1/2" at \$34, 5/8" and 3/4" were quoted at \$32 while 7/8" and 1" were offered at \$34 and 1 1/8", 1 1/4" and 1 1/2" at \$35; 20-22' lengths were quoted at \$36 for 1 1/2" and 1 3/4" and \$39 for 2" to 3" but without sales. Mild steel angle bars remained steady notwithstanding expected arrivals; buyers from China were in the market, and local demands were good; prices, however, were lowered following decreases abroad on recent indents: 1/8" thick 3/4" sold for \$44 per picul and 1" and 1 1/4" for \$42;

3/16" thick 1 1/2" fetched \$42 and 1 3/4" \$45; 3/4" thick 2" & 2 1/2" sold at \$42; 3/8" thick 3" were reduced to \$45 and 4" & 6" to \$48 per picul.

**Wire nails**, had exceptionally few transactions during the week, except for Czechoslovakian G18 5/8" which were in demand and sold for the increased price of \$78 per picul; wire nails in kegs G15 1" were offered at the higher price of \$45 per picul; G14 1 1/4" and G12 1 3/4" stood at \$44; G13 1 1/4" was reduced to \$41, G11 2" and G8 3" to \$40, G7 4" fell to \$41; G6 5" and G5 6" remained at \$45 and \$46 per picul respectively; the local make 1 1/2"-6" was reduced to \$44 per picul; 1 1/2"-3" in 250 lb. kegs stood at \$42.50 per picul for the Czechoslovakian make and \$43 for the Dutch, while Polish forward stood at \$38 and Belgian without 1 3/4" at \$44 per picul. With falling stocks and North China buyers actively requiring galvanised wire, dealers are indenting for fresh supplies, the French makes being at present the most in demand: G5 sold for \$45 per picul for spot, G15 at \$48, G16 at \$55 and G17 at \$56, G18 stood at \$64, G20 & G22 fell to \$65 and G24 to \$75 as a result of heavy stocks. Copper wire was, also in demand by North China buyers, and prices rose: G5 to G8 advanced to \$200 per picul, G10 to G16 rose to \$220; for G5 alone the price was \$205 per picul, for G6 or G8 \$210, G10 or G12 \$225, and for G14 or G16 \$230 per picul.

British brass rolled sheets still held their own on the local market, although the Japanese make had been reduced in price to compete with it: British 12" sheets 5-6 oz. were offered at \$270 and \$265 per picul, 9 oz. were quoted at \$180, 10 oz. at \$190, 11 oz. at \$195 and 12 oz. at \$200 per picul; Japanese 8" sheets were quoted at \$175 per picul,

but supplies are at present small. Charcoal plates showed a decline in price, in spite of a demand from local enamelware factories and reduction in stocks: 3 x 6' G18 fell to \$50 per picul, G20 to \$52, G22 sold at \$58 and G24 at \$60 per picul. Aluminium sheets were in demand to fill the requirements of local factories and prices remained steady and unaffected by recent arrivals from Japan: British 4 x 8' standard quality G16 sold at \$1.85 per lb., G18 at \$1.95 and G20 at \$2 per lb.; Japanese 4' x 8' G16 and G18 fetched \$1.80 per lb., G20 \$1.85 and G22 \$2.20 per lb. British aluminium rolled sheets in coils 16" G16 sold at \$1.85 and G18 at \$1.90; 2' rolled sheets were in demand and sold at \$2 per lb. for G18, while G20 fetched \$2.10 and G24 sold at \$2.10 and \$2.20 per lb.

Slackening demands from China interests and the arrival of fresh supplies of tinsplate waste from the USA kept prices down on the local market: USA tonnage packing was offered at \$78 per 200 lbs., British 100 lbs. thick was quoted at \$78 per case. USA electrolytic tinsplate 18 x 24" was offered at \$69 per 200 lbs. and 2nd quality at \$66. USA misprint tinsplate was in demand by Macao dealers for shipment to South China, white base 1st quality sold at \$44 per case and 2nd q. at \$40; black base fetched \$31 per case. The market in black plate waste was weak, with falling prices: USA G28 18-24" was offered at \$28 per picul and G29 to G32 fell to \$27 per picul.

Aluminium ingots rose in price as a result of few arrivals and an increased demand from China buyers and local manufacturers of metal wares: USA standard quality was quoted at \$160 per picul; Australian 99% at \$120; cuttings at \$100; used 85% at \$90 per picul.



### Cement

With stocks of cement in the Colony amounting to over 10,000 tons, and with a slackening in demand and fresh arrivals expected from Japan most dealers were lowering prices in order to effect a turnover: Emerald brand (Green Island) was offered at the lower rate of \$7.20 per 112 lbs. bag (official price \$6.80), although the 94 lbs. bags fetched a higher price of \$6.20 (official price \$5.90) and Emeraldcrete rapid hardening cement (Green Is.) stood at \$8.20 per 112 lbs. bag (\$7.80); British snowcrete white cement stood at \$60 per drum of 375 lbs. nett (\$55), and British Blue Circle brand fell at \$6.40 per 1 cwt. bag while the ex-godown price remained at \$120 per ton. Danish Bate brand white cement was reduced to \$13.50 per 1 cwt. bag, although the tonnage packing rose to \$242 per ton c.i.f. Indochina Dragon brand fell to \$5.70 per 1 cwt. bag; Tientsin Horse brand stood at \$6.50 per 1 cwt. bag and ex-godown tonnage packing stood at \$125 per ton; Taiwan 1 cwt. bags remained at \$6.50 forward. Japanese 100 lb. bags spot goods were offered at \$5.60 per bag and ex-ship at \$95 per ton; Polish 1 cwt. bags fell to \$6.40 per bag.

### Glass

The glass market was dull with few transactions, due to the loss of nearly all the China markets except Canton. Prices, however, maintained their somewhat high level as stocks are light. French 16-18 oz. 100 ft. window glass was offered at \$26.50 per case, while the Czechoslovakian make stood at \$27; the Polish 200 ft. rose to \$54 per case; while French glass of the latter specification stood at \$55 and 24 oz. at \$80; China 100 ft. 16 oz. shock proof packing was offered at \$26 and forward at \$22. Local stocks of insulight glass blocks were also low, causing an increase in the price of British 6 sq. in. to \$2.90 per block while 8 sq. in. advanced to \$3.70 each. French and Belgian manufacturers are entering this market, but to date no supplies have arrived, so that the British make still remains the most popular as the USA product is too high in price, the 6 sq. in. being offered at \$3.30 each and the 8 sq. in. at \$4.20 per block.

### Paper

Notwithstanding some transactions in newsprint during the week, the news that the Taiwan authorities are cutting down such importations further, even if purchased with self-provided foreign exchange, caused prices to fall; newsprint in roll 52 gr. 31" dropped to 35½ cents per lb., Norwegian 52 gr. 31" fell to 36 cents and the 30" and 42" to 34½ cents per lb., while newsprint in sheets 50 lbs. 31 x 43" declined to \$19.40 per ream. Cigarette paper, although in demand by buyers from Taiwan, also fell in price: 29mm 6000m Ecusta brand (with green line) was offered at \$22; 27.5mm 6000m Smoking Tiger (Egyptian) fetched \$20 per bobbin and Ecusta brand (green line) \$22 per bobbin; while British Lion brand 20 x 30 was offered for \$21 per ream. At the opening of the market Manila

interests were keenly interested in British cellophane paper and bought heavily; notwithstanding a cessation of buying later and a lack of demand on the part of other dealers, the price remained steady, 36 x 39 standing at the increased price of \$77 per ream and 40 x 51 at \$103 per ream; Italian 36 x 39 however dropped to \$71 and Belgian make of the same specification to \$72 per ream. In spite of a few transactions, M.G. pure sulphite paper fell in price, 30 x 40" fetching \$13.50 per ream. On the transactions that took place in woodfree printing paper lower prices ruled, 43-48 lbs. white fetching 62 cents per lb. and 90 lbs. white being offered at 61 cents. Thai merchants were in the market for steel blue flint paper, 20" x 30" which sold at \$60 per ream.

### Dyestuffs

An absence of North China buyers caused a dull dyestuffs market with prices falling: Acid Scarlet (USA) N and N (Calco) dropped to \$1100 each per picul, Indigo vat 60% grains (Nacco) fell to \$975, 60% grains (ICC) in 1 cty. packing fell to \$980, and 50% paste (ICI) in 5 cty. packing to \$750, while 50% paste (Nacco) in 5 cty. packing was offered at \$740, in 50 cty. packing fetched \$730 and in 100 cty. packing fell to \$710 per picul; Methyl Violet crystal (USA) dropped to \$690 and Methylene Blue 2B to \$1200; Malachite Green fell to \$1400; Sulphur Black R conc. (Nacco) 692 was offered at \$220, (USA) R 2B 200% fell to \$160, and British 44KG to \$170 per picul.

### Gunny Bags

The news of the Indian Government's decision to grant Hongkong a further export allocation of gunny bags, combined with the frequent bombing of the Kowloon-Canton Rly. which is hampering transportation into China, brought prices down on the local market: Heavy Ceas 29 x 43 x 2½ lbs. 2" green (new) dropped to \$2.82½ cents each for spot, although forward March shipment was offered at \$2.81 and April shipment at \$2.75 each.

### Vegetable Oils & China Produce

Too many restrictions and difficulties confront Japanese dealers in attempting to purchase from North China the

large quantities of tungoil (woodoil) they require; consequently they have been obliged to turn to Hongkong for supplies, and transactions during the week were brisk. Australia has been in the market for tungoil; and enquiries have also been received recently from the US, but the rates offered are low i.e. US 2575 cents per lb. c.i.f. New York, which is considered due to competition from Argentinian tungoil the price of which has been quoted at US 2437 per lb. The difficulty confronting Hongkong merchants is that prices in Canton have risen as the result of an increase in the supplying centres, and supplies are not only hard to obtain but very irregular. Foreseeing and increase in prices on the local market, dealers are holding back in the hope of this eventuating. No large transactions were reported during the week, tungoil standard quality being offered at \$200 and forward at \$198 per picul. Teaseed oil continued dull, some of the oil being found to be below standard export requirements; the high rate for surrender of exchange fixed in Canton has made merchants reluctant to send large quantities to Hongkong: 5% acid 1 q. stood at \$157 per picul while 4% acid 1 q. fell to \$170 with counteroffers at \$150 per picul. The rapeseed oil market was almost stationary with falling prices; transactions were effected at \$98 to \$100 per picul. Linseed oil had a few transactions at \$117 per picul. Groundnut oil was in demand by Japanese buyers and sales were brisk: Shanghai 1 q. rose in price to \$150 per picul, Chefoo 1 q. increased to \$148, Swatow Golden Deer fetched \$158, Suitung (Kwangtung) 1 q. in drums sold for \$165, Bombay groundnut oil 1 q. in drums fetched \$154, Camel & Ball 1 q. was offered at \$168, Thailand Deer 'A' in tins sold at \$167 and Rhinoceros brand 1 q. at \$162; Tsingtao 1 q. in drums sold for \$148.50 and \$147.

Cassia lignea had a brisk market, but notwithstanding purchases for North African interests and activity shown by Indian buyers under licences issued prior to the embargo placed on its importation by the Indian Govt., the considerable stocks held in Hongkong had the effect of keeping prices down:



84 catty packing sold for \$56 per picul, 60 catty packing for \$55 and West River, Kwangtung, bulk packing for \$50 per picul. In regard to Yunnan cassia rolls unscrapped, dealers maintained their price of \$95 per picul on account of the irregularity of supplies.

Japanese dealers were in the market for supplies of rosin but were unable to come to terms as the lack of shipments from Canton has kept local stocks down; Cantonese merchants though holding large quantities find the trade with Hongkong unprofitable under the controls enforced by the Communist authorities and suppliers have consequently diverted large quantities to North China by the railway; on the local market East River rosin was offered at \$55 per picul, while first quality in case packing rose to \$60 per picul. Short stocks of ramie on the local market caused prices to rise with a demand from Japanese interests: Szechuan 1 q. sold at \$230 per picul. Flax was also required for export to Japan and the Yuenkong product fetched \$225 per picul.

#### Ores

Dwindling stocks of tungsten (wolfram) ore caused dealers to hold back;

the price of China 65 deg. was maintained at \$270 and of 80% of 65 deg. at \$215 per picul; South Korean standard quality fell to \$240 per picul. Buyers from Taiwan and Shanghai were in the market for tin ingots: Ho-yuen, Kwangsi, 99% rose to \$570 per picul, and Yunnan 99% to \$565, while Singapore Marked Banker 99.75% were offered at \$590 per picul. China tin 60% stood at \$370 per picul, but 50% and 40% for soldering fell respectively to \$310 and \$265 per picul. British brand 42% bushing tin dropped in price to \$7 per lb. China antimony 99% had a weak market, the price falling to \$170 per picul.

#### Beans

Japanese buyers were in the market for large quantities of soya beans, and Dairen (new) 1 q. were sold at \$55 per picul while Kiaochow 1 q. stood at \$48. Tientsin black beans were also in demand and fetched \$42/\$43 per picul for 2 quality. Kalgan small green beans rose in price to \$51 and Haiphong 1 q. to \$43 per picul. North China small red beans 1 q. sold at \$61 per picul.

Hongkong Imports of Cotton Piece Goods	
	January 1950 Yds.
United Kingdom .....	822,566
Australia .....	960
Malaya .....	2,917,824
India .....	3,477,347
North China .....	942,700
Middle " .....	16,000
Central America .....	28,099
Holland .....	12,972
Japan .....	846,540
Macao .....	398,670
U. S. A. ....	489,587
Korea, South .....	9,728
Belgium .....	269
Germany .....	6,282
Italy .....	58,481
France .....	1,954
Switzerland .....	6,189
Czechoslovakia .....	105,279
<b>Total .....</b>	<b>10,141,447</b>

Exports of Cotton & Rayon Piece Goods from Hongkong	
COTTON PIECE GOODS	
	January 1950 Yds.
United Kingdom .....	125,000
Australia .....	170,145
Canada .....	800
New Zealand .....	1,303,777
British North Borneo .....	69,980
British West Indies .....	133,800
British Commonwealth of Nations, Other .....	12,754
China, North .....	5,600
" Middle .....	2,167,851
" South .....	1,523,574
Denmark .....	76,000
French Indochina .....	6,000

Korea, North .....	1,600,000
" South .....	600
Macao .....	936,786
United States of Indonesia ..	3,480
Pakistan .....	524,400
Philippines .....	18,170
Thailand .....	25,214
Other Countries .....	28,600
<b>Total .....</b>	<b>8,732,531</b>

<b>RAYON PIECE GOODS ...</b>	<b>464,162</b>
<b>RAYON MIXTURES PIECE GOODS .....</b>	<b>69,400</b>

Hongkong Imports of Rayon & Rayon Mixtures	
	January 1950 Yds.
United Kingdom .....	110,106
China, North .....	1,144
France .....	6,369
Germany .....	5,267
Japan .....	424,868
Macao .....	332
Italy .....	139,767
Switzerland .....	632
U. S. A. ....	699,473
<b>Total .....</b>	<b>1,387,958</b>

Hongkong Imports of Cotton Yarn	
	January 1950 lbs.
United Kingdom .....	384,787
India .....	7,759,057
Malaya .....	50,000
China, North .....	929,800
<b>Total .....</b>	<b>9,123,644</b>

## Hongkong's Trade in Vegetable Oils

### Tungoil (Woodoil)

Tungoil has always been one of the most important of the vegetable oils forming part of Hongkong's trade, but for the second half of 1949 exports showed a considerable drop, owing to the difficulty of obtaining supplies under the controls enforced by the People's Government. Total imports and exports for the year amounted to 395,194 piculs valued at \$52,081,190, of which imports accounted for 244,985 piculs at \$31,238,677 and exports for 150,209 piculs at \$20,842,513.

May was the peak month for imports, which amounted to 57,733 piculs at \$6,420,203; but October though importing less in quantity, 47,166 piculs, exceeded May in value, which amounted to \$7,557,343; July with 3533 piculs valued at \$428,030 and November with 2539 piculs at \$426,580, were the two lowest months for imports. The bulk of the tungoil imports or 20.5% came from South China, i.e., 226,058 piculs valued at \$28,511,606, and if with this is included the amount from Macao, (through which port comes tungoil from Kwangsi) which totalled 8907 piculs at \$1,165,926, the joint total of 234,965 piculs valued at \$29,677,532 would cover 24.2% of the total imports; imports from North China totalled 10,020 piculs valued at \$1,561,145 or only 7.5% of the total imports, which would indicate that supplies of tungoil from Central China which formerly were shipped via Shanghai are now being sent through Canton by rail to Hongkong.

Last year Germany took first place as an importer of tungoil from Hongkong, the quantity taken being 34,253 piculs valued at \$4.4 million, Australia came second with 19,890 piculs at \$2.7 m., Norway third with 16,943 piculs at \$2.3 m. and the USA, which in previous years was the chief importer of tungoil, came fourth with 16,116 valued at \$2.36 m.

The following tables give the quantity of tungoil imported into Hongkong monthly, and the quantity and value exported by country:—

Monthly Imports of Tungoil		
	Piculs	\$
January .....	18,999	2,191,180
February .....	14,575	1,674,122
March .....	32,398	3,763,212
April .....	31,224	3,799,536
May .....	57,733	6,420,203
June .....	11,415	1,345,995
July .....	3,533	428,030
August .....	11,929	1,006,599
September .....	9,169	1,299,027
October .....	47,166	7,557,343
November .....	2,539	426,580
December .....	4,305	726,850
<b>Total .....</b>	<b>244,985</b>	<b>31,238,677</b>

Exports of Tungoil by Countries		
Germany .....	34,253	4,429,674
Australia .....	19,890	2,708,183
Norway .....	16,943	2,313,334
U.S.A. ....	16,116	2,369,959
Sweden .....	11,132	1,471,212
France .....	8,064	1,163,420
Holland .....	6,762	1,064,312
Denmark .....	6,556	925,563
S. Africa .....	5,788	849,956
United Kingdom .....	5,521	760,007
Belgium .....	4,741	621,075
Indonesia .....	3,149	473,793



	Piculs	\$
New Zealand .....	2,949	417,958
India .....	2,840	393,819
Italy .....	1,932	355,816
Malaya .....	1,238	192,649
Spain .....	614	78,010
Canada .....	472	49,140
Siam .....	368	55,912
Eire .....	269	48,115
N. Borneo .....	196	29,881
Finland .....	183	29,280
Philippines .....	166	25,880
Macao .....	36	6,396
C. America .....	31	5,200
<b>Total</b> .....	<b>150,209</b>	<b>20,842,513</b>

#### Teased Oil

Teased oil usually comes next to tungoil in importance, but last year though second in imports which amounted 155,913 piculs at \$21,661,566, it was first in exports which came to 354,834 piculs at \$57,587,287; the total trade in teased oil in 1949 amounted to 510,747 piculs valued at \$79,248,853. This excess of exports over imports is partly accounted for by the large stocks which accumulated in the Colony during the retreat southward of the KMT before the advancing Communist armies, and also to a very considerable extent by the amount of smuggling that is carried on from China to avoid the surrender of foreign exchange. This is clearly shown in the monthly figures for imports and exports given below, when July imports amounted to 5943 piculs whereas exports came to over 37,000 piculs and even more strikingly so in November when imports amounted to only 30 piculs, with no balance from October, and yet merchants were able to export no less than 15,504 piculs.

South China supplied most of the teased oil in 1949 the quantity being 137,846 piculs valued at \$19,202,882. Almost all the exports went to the United Kingdom, or 353,767 piculs valued at \$57,419,612.

The tables below show imports and exports of teased oil by countries and by months:—

Imports		
	Piculs	\$
South China .....	137,846	19,202,882
Macao .....	15,013	1,981,487
Central China .....	1,846	267,346
North China .....	1,178	207,151
Thailand .....	30	2,700
<b>Total</b> .....	<b>155,913</b>	<b>21,661,566</b>

Exports		
	Piculs	\$
United Kingdom .....	353,767	57,419,612
U.S.A. .....	795	121,267
Italy .....	168	27,720
Germany .....	84	15,178
Malaya .....	20	3,510
<b>Total</b> .....	<b>354,834</b>	<b>57,587,287</b>

	Imports		Exports	
	Piculs	\$	Piculs	\$
January	36,334	4,872,167	50,108	8,839,249
February	23,561	3,054,221	34,985	5,711,525
March	12,970	1,752,143	37,771	6,237,574
April	2,320	324,500	5,208	780,864
May	28,324	3,708,760	24,943	3,429,072
June	20,184	3,005,779	44,559	7,039,372
July	5,943	854,594	37,232	5,823,328
August	3,447	529,152	38,254	6,278,044
September	7,388	1,104,493	25,853	4,342,421
October	15,072	2,406,227	35,187	5,622,963
November	2,320	324,500	15,504	2,430,772
December	339	44,730	6,330	1,052,303
Total	155,913	21,661,566	354,834	57,587,287

#### Groundnut Oil

Hongkong's total trade in groundnut (peanut) oil for 1949 amounted in value to \$38,560,852 and in quantity to 278,583 piculs; imports totalled 198,429 piculs to the value of \$27,801,156 and exports 80,154 piculs at \$10,759,696.

From North China came over 44% of these imports, or 92,289 piculs valued \$12.3 million; Thailand came second with 14.9% or 25,407 piculs at \$4.15 m., India third with 22,521 piculs at \$3.07 m., or 11%, and Central China fourth with 15,542 piculs at \$2.4 m.; South China was ninth on the list of importers with only 5957 piculs at \$977,970, but if the imports from Macao (10,381 piculs at \$1.56 m.) are included with those from South China, these would take fourth place.

Exports to Central China took 41.3% of the total with 32,951 piculs valued at \$4.45 million; Macao (24,427 piculs at \$3.32 m.) and South China (1502 piculs at \$187,707) came next with a joint total of 25,929 piculs valued at \$3.5 m. or 32.5%.

Imports		
	Piculs	\$
North China .....	92,289	12,262,336
Thailand .....	25,407	4,155,159
India .....	22,521	3,074,052
Central China .....	15,542	2,410,970
North Korea .....	10,707	1,379,971
Macao .....	10,381	1,559,576
U.S.A. .....	8,615	924,028
South Korea .....	6,559	976,454
South China .....	5,957	977,970
Malaya .....	451	78,640
<b>Total</b> .....	<b>198,429</b>	<b>27,801,156</b>

Exports		
	Piculs	\$
Central China .....	32,951	4,449,138
Macao .....	24,427	3,325,522
Italy .....	9,240	1,173,510
Holland .....	8,400	1,004,000
Malaya .....	3,051	590,180
South China .....	1,502	187,707
Other Br. Commonwealth .....	286	58,780
New Zealand .....	169	35,600
North Borneo .....	51	7,020
Australia .....	33	5,539
Canada .....	32	6,300
Others .....	12	1,800
<b>Total</b> .....	<b>80,154</b>	<b>10,759,696</b>

#### Soya Bean Oil

For 1949 the total trade in soya bean oil transacted through the Colony came to 56,557 piculs valued at \$6,302,052; imports amounted to 35,716 piculs at \$4,067,081 and exports to 20,841 piculs at \$2,235,031.

Imports from North China amounted to 32,784 piculs valued at \$3,717,021 or 91.4% of the total imports, and the remainder came from South Korea with 1395 piculs at \$164,800, North Korea 1150 piculs at \$136,800 and Thailand 387 piculs at \$48,460.

In regard to exports abroad, Holland came first on the list with 16,800 piculs valued at \$1,765,000 or 78.9%; Australia was next with 1713 piculs at \$203,364, followed by South China with 1267 piculs at \$145,745, Italy with 840 piculs at \$93,258, New Zealand with 99 piculs at \$15,988, Denmark with 83 piculs at \$8,846 and Macao with 39 piculs at \$2,830.

The following table shows that the peak month for imports of soya bean oil was December with 10,992 piculs valued at \$1.3 million, while the lowest point was reached in July when only 28 piculs were imported valued at \$3,360; exports reached their highest in December with 19,326 piculs at \$2.05 million while the bottom was touched in August when no exports of soya bean oil were effected:—

Imports		
	Piculs	\$
North China .....	32,784	3,717,021
South Korea .....	1,395	164,800
North Korea .....	1,150	136,800
Thailand .....	387	48,460
<b>Total</b> .....	<b>35,716</b>	<b>4,067,081</b>

  

Exports		
	Piculs	\$
Holland .....	16,800	1,765,000
Australia .....	1,713	203,364
South China .....	1,267	145,745
Italy .....	840	93,258
New Zealand .....	99	15,988
Denmark .....	83	8,846
Macao .....	39	2,830
<b>Total</b> .....	<b>20,841</b>	<b>2,235,031</b>

	Imports		Exports	
	Piculs	\$	Piculs	\$
January	161	19,416	9	360
February	155	19,712	17	1,140
March	802	96,844	861	95,921
April	135	87,000	50	8,160
May	5,142	611,730	31	4,903
June	852	107,050	1	130
July	28	3,360	9	1,462
August	1,958	253,448	(no export)	
September	7,808	936,960	117	15,876
October	2,165	310,776	168	21,840
November	4,908	301,945	252	29,232
December	10,992	1,319,040	19,326	2,056,007
Total	35,716	4,067,081	20,841	2,235,031

#### Sesamum Oil

The total quantity and value of Hongkong's imports and exports of sesamum oil during 1949 was 12,014 piculs valued at \$2,020,342. Imports amounted to 5982 piculs to the value of \$1,139,003 and exports to 6032 piculs valued at \$881,339.

Nearly all the imports came from North China, or 4909 piculs to the value of \$87,514; the bulk of the exports, or 3562 piculs at \$373,480, went to Holland, as shown below.

The peak month for imports was October with 4743 piculs at \$916,894, the lowest month being August with no imports; November was the best month for exports with 2598 piculs at \$313,868 and February the month with fewest exports, 42 piculs at \$8181.

Imports		
	Piculs	\$
North China .....	4,909	877,514
Macao .....	617	175,845
Thailand .....	251	34,044
South China .....	205	51,600
<b>Total</b> .....	<b>5,982</b>	<b>1,139,003</b>



## Exports

	Piculs	\$
Holland .....	3,562	373,480
Macao .....	641	106,311
Malaya .....	586	138,750
U.S.A. ....	375	100,788
Canada .....	207	87,362
France .....	207	18,611
New Zealand .....	95	18,962
Philippine Is. ....	63	12,919
Central China .....	39	7,800
Australia .....	27	4,472
Indonesia .....	15	580
Japan .....	13	3,740
Central America .....	11	1,137
North China .....	10	3,027
Other Countries .....	18	3,420
<b>Total .....</b>	<b>6,032</b>	<b>881,339</b>

	Imports	Exports
	Piculs	\$
January .....	117	20,970
February .....	75	7,500
March .....	14	2,800
April .....	15	3,450
May .....	24	3,960
June .....	13	1,375
July .....	6	960
August .....	—	147
September .....	28	4,200
October .....	4,743	916,894
November .....	593	129,090
December .....	354	47,304
<b>Total .....</b>	<b>5,982</b>	<b>1,139,003</b>

## Linseed Oil

During 1949, the trade of the Colony in linseed oil totalled 7,411 piculs valued at \$1,668,063; imports amounted in quantity to 6,733 piculs and in value to \$1,565,201, while exports totalled only 678 piculs to the value of \$102,862.

The peak months for imports of linseed oil were August, March and April with 1419 piculs valued at \$811,309, 1112 piculs at \$144,656 and 815 piculs at \$127,525 respectively; the lowest figures were reached in December and September with 147 piculs at \$20,000 and 150 piculs at \$24,000 respectively. The highest figure for exports was in December with 381 piculs valued at \$58,135; the lowest figure was in June with 1 picul at \$130.

India was the chief supplier of linseed oil during 1949, with 3009 piculs valued at \$496,544; North China same second with 1189 piculs at \$271,320. The bulk of the exports went to Central China, or 220 piculs to the value of \$32,746.

The following tables give imports and exports of linseed oil by countries and by months:—

## Imports

	Piculs	\$
India .....	3,009	496,544
North China .....	1,189	271,320
Canada .....	846	122,620
Thailand .....	693	63,795
South China .....	470	48,364
South Korea .....	300	27,000
U.S.A. ....	203	31,526
United Kingdom .....	23	4,032
<b>Total .....</b>	<b>6,733</b>	<b>1,565,201</b>

## Exports

	Piculs	\$
Central China .....	220	32,746
South Africa .....	168	27,500
Malaya .....	121	15,577
Macao .....	84	14,203
Thailand .....	51	6,120
Other Countries .....	34	6,716
<b>Total .....</b>	<b>678</b>	<b>102,862</b>

## Hongkong's Imports &amp; Exports

By Commodity Groups for the years 1947—1949 (monthly averages):—

IMPORTS				Monthly Average		
(in thousands of HK\$)				1947	1948	1949
	Monthly Average	Monthly Average	Monthly Average	1947	1948	1949
Live Animals, chiefly for food .....	2,491	2,823	3,559	3,138	4,379	7,570
Meat and Preparations thereof .....	966	471	932	4,311	10,707	9,572
Dairy Products, Eggs & Honey .....	3,220	3,237	5,348	10,836	16,026	19,196
Fishery Products, for food .....	1,614	3,791	6,559	189	503	794
Cereals .....	3,945	8,988	5,779	1,819	1,908	2,182
Products of Cereals, chiefly for human food .....	1,989	3,105	6,434	—	40	14
Fruits & Nuts, except Oil-Nuts .....	2,307	2,614	4,143	90	167	140
Vegetables, roots & tubers chiefly used for human food & their preparations, n.e.s. ....	3,272	4,445	5,562	2,501	2,196	4,971
Sugar & Sugar Confectionery .....	1,923	3,920	4,167	8,510	9,911	13,054
Coffee, tea, cocoa & preparations thereof; spices ..	1,573	1,337	2,429	598	1,405	1,588
Beverages & Vinegars .....	1,815	1,163	2,001	370	860	940
Feeding Stuffs for animals, n.e.s. ....	53	81	2,193	903	779	1,057
Tobacco .....	3,377	4,289	5,195	—	—	—
Oil-seeds, nuts & kernels .....	1,037	2,491	3,645	135	371	336
Animal & Vegetable oils, fats, greases & waxes & their manufactures, n.e.s. ....	13,706	8,594	9,580	714	928	3,316
Chemical elements and compounds; Pharmaceutical products .....	646	8,746	12,487	754	1,599	2,317
Dyeing, tanning and colouring substances (not including crude materials) .....	6,499	5,955	4,905	3,888	5,094	5,890
Essential Oils, perfumery, cosmetics, soaps & related products .....	1,458	1,203	2,135	3,413	3,274	4,541
Fertilizers .....	213	1,534	1,775	2,214	4,210	5,301
Rubber & manufactures thereof, n.e.s. ....	4,420	3,056	4,154	1,177	4,592	6,505
Wood, Cork and manufactures thereof .....	2,970	3,212	4,183	1,676	2,565	4,765
Pulp, paper & cardboard & manufactures thereof	5,727	8,403	8,046	2,661	2,885	5,907
Hides, skins and leather .....	1,267	1,338	2,174	2,333	4,859	10,644
Manufactures of leather, not including articles of clothing .....	14	39	115	3,622	8,922	12,259
Furs, not made up .....	2	91	198	<b>Total .....</b>	<b>129,160</b>	<b>173,128</b>

## SUMMARY

United Kingdom ..	13,704	25,077	32,308
British Commonwealth of Nations ..	21,892	23,188	34,044
China .....	31,348	35,883	49,457
U.S.A. ....	24,889	32,288	47,954
All other Countries ..	37,325	56,690	65,417
<b>Total .....</b>	<b>139,160</b>	<b>173,128</b>	<b>229,183</b>

## EXPORTS

(in thousands of HK\$)

	Monthly Average	Monthly Average	Monthly Average
	1947	1948	1949
Live Animals, chiefly for food .....	1	2	4
Meat and Preparations thereof .....	679	816	575
Dairy Products, eggs & honey .....	1,974	2,589	3,066
Fishery Products, for food .....	851	1,512	3,167
Cereals .....	201	1,283	675
Products of Cereals, chiefly for human food .....	2,011	1,443	4,750

(The figures for RAPESEED OIL will be published in the next issue of the Review).



	Monthly Average 1947	Monthly Average 1948	Monthly Average 1949
Fruits & Nuts, except oil-nuts .....	1,572	2,157	2,694
Vegetables, roots & tubers chiefly used for human food & their preparations, n.e.s. ....	3,476	5,731	6,946
Sugar & Sugar confectionery .....	1,508	1,431	2,495
Coffee, tea, cocoa & preparations thereof; spices ..	1,526	1,061	2,067
Beverages & Vinegars .....	1,194	685	1,178
Feeding Stuffs for animals, n.e.s. ....	60	54	2,793
Tobacco .....	118	1,717	2,723
Oil-seeds, nuts & kernels .....	608	2,111	3,185
Animal & Vegetable oils, fats, greases & waxes & their manufactures n.e.s. ....	8,775	9,839	12,540
Chemical elements and compounds; Pharmaceutical products .....	5,404	5,614	8,273
Dyeing, tanning and colouring substances (not including crude materials) .....	2,683	3,486	5,397
Essential Oils, perfumery, cosmetics, soaps & related products .....	1,074	1,124	1,212
Fertilizers .....	796	1,717	1,506
Rubber & manufactures thereof, n.e.s. ....	3,246	2,702	3,990
Wood, Cork and manufactures thereof .....	381	687	1,003
Pulp, paper & cardboard & manufactures thereof .....	3,212	5,538	8,026
Hides, skins and leather .....	1,181	1,209	1,605
Manufactures of leather, not including articles of clothing .....	72	375	443
Furs, not made up .....	3	143	407
Textile materials, raw or simply prepared .....	1,669	5,754	9,289
Yarns & thread .....	247	4,671	11,316
Textile fabrics and small wares .....	12,197	16,387	17,125
Special & technical textile articles ..	319	326	550
Clothing & underwear of textile materials; hats of all materials ..	3,697	4,608	7,056
Clothing of leather & fur .....	—	10	3
Footwear, boots, shoes & slippers .....	847	1,513	1,863
Made-up articles of textile materials other than clothing .....	3,415	5,817	6,874
Products for heating, lighting and power lubricants and related products .....	6,764	5,964	6,515
Non-metallic minerals crude or simply prepared, n.e.s. ....	319	377	523
Pottery & other clay products ..	345	705	735
Glass & glassware .....	683	732	864
Manufactures of Non-metallic minerals, n.e.s. ....	113	105	147
Precious metals & precious stones, pearls & articles made of these materials .....	47	397	501
Ores, slag, cinder .....	657	2,050	2,267
Iron & steel .....	1,627	2,153	3,141
Non-ferrous base metals .....	3,645	2,637	4,709
Manufactures of base metals, n.e.s. ....	3,635	6,819	9,982

Machinery, apparatus & appliances, n.e.s. other than electrical .....	351	505	1,583
Electrical Machinery, apparatus & appliances .....	927	1,200	1,953
Vehicles & transport equipment, n.e.s. ....	902	2,011	2,028
Miscellaneous crude or simply prepared products, n.e.s. ....	2,479	6,292	14,238
Manufactured articles, n.e.s. ....	3,670	6,811	9,236
Total .....	101,402	131,894	193,241

## SUMMARY

United Kingdom ..	3,184	6,257	11,645
British Commonwealth of Nations ..	26,132	28,061	33,519
China .....	22,097	23,373	48,718
U.S.A. ....	12,846	12,704	19,538
All other Countries ..	37,341	61,498	79,820
Total .....	101,402	131,894	193,241

## SUMMARY OF IMPORTS BY MAIN SECTIONS

(in thousands of HK\$)

Sections	Monthly Average 1947	Monthly Average 1948	Monthly Average 1949
I. Food products, beverages, tobacco ..	28,550	40,269	54,309
II. Fatty substances & waxes, animal and vegetable ..	14,744	11,085	13,226
III. Chemicals & allied products .....	8,818	17,439	21,304
IV. Rubber .....	4,420	3,056	4,154
V. Wood, cork .....	2,970	3,212	4,183
VI. Paper .....	4,727	8,403	8,046
VII. Hides, skins & leather & manufactures thereof, n.e.s. ....	1,285	1,469	2,488
VIII. Textiles .....	18,475	13,616	37,134
IX. Articles of clothing of all materials and made-up textile goods ..	4,412	4,312	7,309
X. Products for heating, lighting & power, lubricants & related products n.e.s. ....	8,510	9,911	13,054
XI. Non-metallic minerals & manufactures thereof, n.e.s. ....	2,007	3,417	3,923
XII. Precious metals & precious stones, pearls & articles made of these materials ..	714	928	3,316
XIII. Base metals & manufactures thereof, n.e.s. ....	10,370	14,179	18,049
XIV. Machinery, apparatus & appliances, n.e.s. & vehicles ..	5,515	10,044	15,778
XV. Miscellaneous commodities, n.e.s. ....	5,956	13,782	22,903
Total .....	129,160	173,128	229,183

## INDEX NUMBERS OF IMPORTS ON BASIS MONTHLY AVERAGE,

1947=100

Sections	Monthly Average 1948	Monthly Average 1949
I. Food products, beverages, tobacco .....	141.0	190.2
II. Fatty substances and waxes, animal and vegetable .....	75.1	89.7
III. Chemicals and allied products .....	197.7	241.6
IV. Rubber .....	69.1	94.0
V. Wood, cork .....	108.1	140.8
VI. Paper .....	177.7	170.2
VII. Hides, skins & leather & manufactures thereof, n.e.s. ....	114.3	193.6
VIII. Textiles .....	171.1	201.0
IX. Articles of clothing of all materials & made-up textile goods ..	97.7	165.7
X. Products for heating, lighting & power, lubricants & related products, n.e.s. ....	116.4	153.4
XI. Non-metallic minerals & manufactures thereof, n.e.s. ....	170.2	195.4
XII. Precious metals & precious stones, pearls & articles made of these materials ..	129.9	464.3
XIII. Base metals & manufactures thereof, n.e.s. ....	136.7	174.0
XIV. Machinery, apparatus & appliances n.e.s. & vehicles .....	182.1	286.1
XV. Miscellaneous commodities, n.e.s. ....	231.3	384.5
Index of Total Imports ..	134.0	177.4

## INDEX NUMBERS OF EXPORTS ON BASIS MONTHLY AVERAGE,

1947=100

Sections	Monthly Average 1948	Monthly Average 1949
I. Food products, beverages, tobacco .....	134.9	218.3
II. Fatty substances and waxes, animal and vegetable .....	127.3	167.6
III. Chemicals and allied products .....	109.8	164.6
IV. Rubber .....	83.2	122.9
V. Wood, cork .....	180.2	262.9
VI. Paper .....	172.4	249.8
VII. Hides, skins & leather & manufactures thereof, n.e.s. ....	137.7	195.7
VIII. Textiles .....	188.0	265.2
IX. Articles of clothing of all materials & made-up textile goods ..	150.1	198.4
X. Products for heating, lighting & power, lubricants & related products, n.e.s. ....	89.3	97.6
XI. Non-metallic minerals & manufactures thereof, n.e.s. ....	131.4	155.3
XII. Precious metals & precious stones, pearls & articles made of these materials ..	839.8	1059.9
XIII. Base metals & manufactures thereof, n.e.s. ....	142.8	210.1
XIV. Machinery, apparatus & appliances n.e.s. & vehicles .....	170.3	255.0
XV. Miscellaneous commodities, n.e.s. ....	213.0	381.6
Index of Total Exports ..	130.0	190.5



## SUMMARY OF EXPORTS BY MAIN SECTIONS

Sections	(in thousands of HK\$)		
	Monthly Average 1947	Monthly Average 1948	Monthly Average 1949
I. Food products, beverages, tobacco ..	15,179	20,488	33,139
II. Fatty substances & waxes, animal and vegetable ..	9,384	11,951	15,726
III. Chemicals & allied products ..	9,958	10,942	16,390
IV. Rubber ..	3,246	2,702	3,990
V. Wood, cork ..	381	687	1,003
VI. Paper ..	3,212	5,538	8,026
VII. Hides, skins & leather & manufactures thereof, n.e.s. ..	1,254	1,729	2,456
VIII. Textiles ..	14,434	27,140	38,281
IX. Articles of clothing of all materials and misc. Made-up textile goods ..	7,960	11,949	15,797
X. Products for heating, lighting & power, lubricants & related products, n.e.s. ..	6,674	5,964	6,515
XI. Non-metallic minerals & manufactures thereof, n.e.s. ..	1,461	1,921	2,270
XII. Precious metals & precious stones, pearls & articles made of these materials ..	47	397	501
XIII. Base metals & manufactures thereof, n.e.s. ..	9,565	13,660	20,101
XIV. Machinery, apparatus & appliances, n.e.s. & vehicles ..	2,181	3,717	5,565
XV. Miscellaneous commodities, n.e.s. ....	6,150	13,104	23,475
Total .....	101,402	131,894	193,241

## Hongkong's Trade by Countries

Sources of Imports & Destinations of Exports for the years 1947-1949 (monthly averages):—

## SOURCES OF IMPORTS

	(in thousands of HK\$)		
	Monthly Average 1947	Monthly Average 1948	Monthly Average 1949
United Kingdom ..	13,704	25,077	32,308
Australia .....	4,418	4,707	5,480
Canada .....	1,693	3,026	4,808
Ceylon .....	123	110	155
East Africa .....	125	164	204
India .....	3,793	3,957	7,528
Malaya .....	8,534	7,064	9,016
New Zealand ..	30	32	156
North Borneo ..	558	828	1,020
South Africa ..	978	1,057	2,116
West Africa ....	—	—	3
West Indies ....	—	87	6
Br. Commonwealth of Nations, Oth. ....	1,635	2,161	3,547
Belgium .....	4,218	2,923	1,430
Burma .....	1,427	2,853	1,533
Central America ..	31	86	135
China, North ....	5,310	11,301	19,499
" Middle ....	2,597	3,447	4,836
" South ....	23,931	21,134	25,121
Cuba .....	76	7	5
Denmark .....	79	211	264
Egypt .....	501	483	227
France .....	1,424	1,884	2,800
French Indochina ..	1,674	2,514	1,792
Germany .....	27	375	649
Holland .....	972	1,811	3,598
Italy .....	977	2,836	2,164
Japan .....	3,050	6,593	6,734
Korea, South) ....	—	3,098	( 3,098
" North) ....	—	3,473	( 4,561
Macao .....	6,854	7,424	6,470
Neth. East Indies ..	1,790	3,434	3,250
Norway .....	1,549	1,766	1,599
Philippines .....	1,252	842	1,307
Portugal .....	78	79	98
Siam .....	4,991	8,018	9,182
South America ....	104	182	327
Spain .....	24	133	42
Sweden .....	738	2,497	1,840
Switzerland .....	1,540	3,402	4,722
U.S.A. ....	24,889	32,268	47,954
U.S.S.R. ....	289	108	159
Others .....	3,157	2,742	7,421
Total .....	129,160	173,128	229,183

## DESTINATIONS OF EXPORTS

	(in thousands of HK\$)		
	Monthly Average 1947	Monthly Average 1948	Monthly Average 1949
United Kingdom ..	3,184	6,257	11,645
Australia .....	796	1,563	3,130
Canada .....	247	625	1,247
Ceylon .....	552	615	473
East Africa .....	196	817	1,315
India .....	2,156	3,966	3,181
Malaya .....	17,853	17,062	19,997
New Zealand ....	190	125	258
North Borneo ....	572	559	821
South Africa ....	2,241	590	1,203
West Africa .....	217	318	549
West Indies .....	40	811	449
Br. Commonwealth of Nations, oth. ....	1,065	1,005	890
Belgium .....	1,123	693	551
Burma .....	597	1,007	1,498
Central America ..	98	278	367
China, North ....	4,585	9,870	23,966
" Middle ....	3,591	4,848	13,170
" South ....	14,063	9,654	11,582
Cuba .....	96	123	101
Denmark .....	88	147	399
Egypt .....	494	342	339
France .....	2,140	817	1,079
French Indochina ..	1,484	1,599	1,642
Germany .....	79	408	1,400
Holland .....	2,065	625	1,596
Italy .....	1,197	756	693
Japan .....	1,277	4,088	5,844
Korea, South) ....	—	4,857	( 6,195
" North) ....	—	—	( 4,123
Macao .....	5,905	1,367	22,378
Neth. East Indies ..	4,421	5,728	4,639
Norway .....	221	306	453
Philippines .....	5,137	11,370	8,644
Portugal .....	8	242	8
Siam .....	7,212	11,679	9,653
South America ....	184	541	386
Spain .....	101	12	15
Sweden .....	523	311	331
Switzerland .....	43	662	139
U.S.A. ....	12,646	12,704	19,538
U.S.S.R. ....	403	1,236	158
Others .....	2,288	2,292	7,178
Total .....	101,402	131,894	193,241



## HONGKONG'S TRADE WITH FAR EASTERN AND SOUTH EAST ASIAN COUNTRIES

In the last issue of this Review the figures for Hongkong's postwar trade with Far Eastern and South East Asian countries were published on page 279. The imports and exports for 1949 are now repeated for comparison's sake with the trade figures of January 1950.

Prewar trade between Hongkong and the F.E. and S.E.A. countries, i.e. for the years 1937-1939, can be made; these, however, must take into consideration the decline in the purchasing value of HK\$, which may approximately amount to 60 to 70% in terms of wholesale commodity prices (one postwar dollar would equal only about 30 to 40 cents before the war, when dealing with wholesale commodity prices, while in terms of cost of living generally the decline is approx. 80%).

The percentage figures show clearly the change in the distribution of Hongkong's imports and exports observed in the postwar years against the years 1937-1939.

Trade of Hongkong with F.E. and S.E.A. countries (valued in HK\$ millions).—

January 1950 imports 142.9, exports 149.7, total 292.6;

In 1949 imports 1090.6, exports 1305.3, total 2395.9;

In 1948 imports 817.6, exports 977.1, total 1794.7;

In 1947 imports 665, exports 739.8, total 1404.8;

In 1939 imports 359.5, exports 249.8, total 609.3;

In 1938 imports 371.3, exports 340.3, total 712.3;

And in the year 1937 imports 353.3, exports 307.3, total 660.6.

IMPORTS	1949		1950	
	\$	% of Total Trade	January	% of Total Trade
Burma	18,403,904	.67	170,272	.05
Ceylon	1,862,132	.07	127,782	.04
French Indochina	21,508,457	.78	1,428,625	.44
India and Pakistan	90,346,595	3.28	43,944,648	13.64
Malaya	108,214,256	3.93	10,041,058	3.12
Philippines	15,687,494	.57	538,937	.17
Thailand	110,189,000	4.01	12,027,293	3.73
United States of Indonesia	39,008,108	1.42	8,771,007	2.72
Total S.E. Asia Region	405,219,946	14.73	77,049,622	23.92
North China (incl. Manchuria)	233,996,191	8.51	35,614,618	11.06
Middle China	58,041,805	2.11	9,712,109	3.01
South China	301,453,817	10.96	6,254,901	1.94
North Korea	54,737,546	1.99	7,070,882	2.19
South Korea	37,180,346	1.35	7,266,512	2.26
Total N.E. Asia Region	685,409,705	24.92	65,919,022	20.47
Total Imports of Hongkong	2,750,201,801	100.00	322,039,041	100.00
EXPORTS	1949		1950	
	\$	% of Total Trade	January	% of Total Trade
Burma	17,976,756	.77	670,711	.28
Ceylon	5,878,074	.24	159,409	.07
French Indochina	19,654,104	.84	1,251,526	.52
India and Pakistan	38,175,003	1.64	3,643,994	1.52
Malaya	240,042,182	10.35	26,015,769	10.89
Philippines	103,736,143	4.47	2,293,810	.96
Thailand	115,842,678	5.00	7,085,988	2.97
United States of Indonesia	55,868,529	2.40	6,184,747	2.58
Total S.E. Asia Region	596,773,469	25.73	47,285,954	19.79
North China (incl. Manchuria)	287,594,271	12.40	41,637,487	17.43

Middle China	158,072,320	6.81	29,984,578	12.55
South China	138,965,325	5.99	21,807,073	9.13
North Korea	49,480,309	2.13	3,255,750	1.36
South Korea	74,342,313	3.20	5,869,595	2.46
Total N.E. Asia Region	708,474,538	30.42	102,574,483	42.94

Total Exports of Hongkong	2,318,795,377	100.00	238,900,665	100.00
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Pre-War Trade of Hongkong with Countries in East Asia represented in 1949 on the Economic Commission for Asia and the Far East of the United Nations

IMPORTS	1937		1938		1939	
	\$	% of Total Trade	\$	% of Total Trade	\$	% of Total Trade
Burma	13,202,602	2.14	5,138,835	.83	1,035,097	.17
Ceylon	354,233	.06	272,045	.04	272,262	.05
F.F. Indochina	40,779,425	6.61	34,419,119	5.57	40,659,632	6.84
India and Pakistan	5,424,279	1.04	11,724,713	1.90	9,564,538	1.61
Malaya	9,125,211	1.48	7,600,804	1.23	12,959,445	2.18
Philippines	2,607,753	.42	2,297,280	.37	2,562,610	.43
Thailand	22,652,105	3.67	36,241,458	5.86	29,883,795	5.03
U.S. of Indonesia	46,915,405	7.60	40,966,507	6.63	39,430,888	6.64
Total S.E. Asia Region	142,061,013	23.02	138,663,771	22.43	136,368,267	22.95
North China (incl. Manchuria)	84,184,737	13.64	115,198,440	18.64	166,317,485	27.99
Middle China	11,195,085	1.81	12,486,762	2.02	13,768,021	2.32
South	11,941,363	18.79	105,569,145	17.08	43,121,483	7.26
Total N.E. Asia Region	211,321,185	34.25	233,264,347	37.73	223,206,989	37.56
Total Imports of H.K.	617,063,967	100.00	618,168,937	100.00	594,199,224	100.00
EXPORTS	1937		1938		1939	
	\$	% of Total Trade	\$	% of Total Trade	\$	% of Total Trade
Burma	3,467,199	.74	3,124,773	.61	5,342,962	1.00
Ceylon	1,318,284	.28	1,291,491	.25	1,399,501	.26
F.F. Indochina	24,004,054	5.14	23,155,076	4.52	55,479,502	10.40
India and Pakistan	5,559,488	1.15	5,445,653	1.06	9,364,445	1.76
Malaya	39,799,854	8.52	36,861,909	7.20	45,985,519	8.62
Philippines	13,207,989	2.83	9,501,702	1.86	11,357,493	2.13
Thailand	14,172,949	3.03	15,969,603	3.12	15,493,155	2.90
U.S. of Indonesia	15,559,136	3.33	14,432,138	2.82	15,160,348	2.84
Total S.E. Asia Region	116,888,953	25.01	109,802,345	21.45	159,582,925	29.92
North China (incl. Manchuria)	38,517,263	8.24	62,935,286	12.29	45,107,154	8.46
Middle China	28,658,102	6.13	28,148,365	5.50	22,172,989	4.16
South	123,225,621	26.37	139,643,818	27.28	22,938,897	4.30
Total N.E. Asia Region	190,400,986	40.74	230,727,469	45.07	90,219,040	16.91
Total Exports of H.K.	416,322,721	100.00	511,902,277	100.00	533,385,203	100.00